

An Investigation of CSR as a Source of Corporate Political Power

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requirements of the University of Wolverhampton
for the degree of Doctor of Philosophy

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Abstract

In political philosophy, power and responsibility are known to be two sides of the same coin. Yet surprisingly, corporate political power has not been strongly featured in the long-standing debate surrounding Corporate Social Responsibility (CSR), despite the parallel debate on the influence of business in policy-making. The political dimension of CSR and its intrinsic relationship with Corporate Political Power (CPP) has been under-researched. This thesis adds to the CSR debate by investigating the processes and mechanisms by which CSR activities contribute to the power of the firm in the political arena, in the context of the British construction industry.

Drawing on the literature on power, political activity and extended corporate citizenship, a conceptual model of the relationship between CSR and CPP was developed. The model was underpinned by insights from the Institutional Theory, the Resource Dependence Theory, and the Resource-Based View of the firm. Using a hybrid constructivist-realism epistemology and a process-based analysis, three exploratory case studies were carried out in construction companies operating in the UK. Data were collected through archival research and semi-structured interviews, and analysed by means of within and cross-case analyses. The results revealed that the political environment of the firm was analogous to a marketplace where companies traded political goods with policy-makers. CSR activities produced four political goods, namely public image, technical expertise, social capital and indebtedness, which were identified as the mechanisms by which CSR contributed to CPP. The impacts of CSR activities on CPP were three-fold: CSR strengthened the privileged structural position of companies; helped

them gain easier access to policy-makers; and this privileged access gave companies more opportunities to influence regulatory outcomes.

The key theoretical contribution of the thesis is a processual model that illustrates how CSR contributes to CPP. There are also implications for practice. CSR activities are velvet curtains that hide the operationalisation of political power. The social and political implications call for the attention of government officials who favour a neoliberal doctrine for the promotion of CSR to business.

Preface and Acknowledgements

This PhD thesis marks the culmination of a research project that was motivated by a personal interest in corporate political power. Working on it part-time throughout all these years has been intellectually and emotionally challenging. One of the difficulties of doing a PhD part-time is to keep up to date with the developments that occur in your field of research, to ensure that your work is still relevant. When I began, the political dimension of CSR was under-researched. Today it is still in its infancy. It is therefore my belief that this thesis is still original work, and the rationale and conclusions are still relevant.

This journey in a dark tunnel where I looked for a truth was often visited by philosophical hurricanes and lightning strikes of knowledge of my two supervisor-masters, Prof. Silke Machold and Dr. Yong Wang. When I was lost, they lifted me up and put me back on the right path.

Who copy the master dies, only live the ones inspired by,
The pupil is now expert in his land,
The masters are still masters of the sky,
I now see by myself the enlightened path,
And the end of the tunnel is close at hand.
Just a few more paragraphs in dark sunny nights,
As I pass a puddle, a disturbing reflection under the moonlight.
This man has left childhood nine years ago,
He shaves now, wears glasses, and thinks different also.
As I look back to see the sweet dark innocence of childhood,
The devilish lights show only the wise path towards adulthood.

Thank you Professor Silke Machold and Doctor Yong Wang for your advice, encouragement and patience. The tremendous work you did for nine years commands my greatest respect and deepest gratitude. I was fortunate to have you.

Thank you also to Professor Michael Haynes and Stephen Greenfield at the Management Research Centre for their support. Professor Haynes was the

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Birmingham, 29 July 2015

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Acronyms and Abbreviations

BITC - Business in the Community

CC - Corporate Citizenship

CEO – Chief Executive Office

CFP - Corporate Financial Performance

CPA - Corporate Political Activity

CPP - Corporate Political Power

CSR - Corporate Social Responsibility

DEFRA - Department for Environment Food and Rural Affairs

DTI - Department of Trade and Industry

ECC - Extended Corporate Citizenship

GRI - Global Reporting Initiative

MCG - Major Contractors Group

MNC – Multinational Company

NHS - National Health Service

PFI - Private Finance Initiative

PPP – Public Private Partnership

UKCG - UK Contractors Group

UK-GBC - UK Green Building Council

Quango - Quasi Non Governmental Organisation

SRI - Socially Responsible Investment

Chapter 1

Introduction

1.1 Background to the Research

Since the rise of neoliberalism in the 1980s, the waves of deregulation and privatisation programs have allowed companies to operate in areas that had traditionally been the responsibility of the state (Hertz, 2001; Monbiot, 2001; Pollock, 2005). As a result, companies have become essential parts of our daily lives and they have now a large influence over culture, lifestyle, and government policies (Wilks, 2013). For instance, seven companies dominate today's world media (AOL, Time-Warner, Disney, Vivendi-Universal, Bertelsmann, Viacom, and News Corporation) (Jan, 2009). These media companies skew the content and structure of private and public debates on various topics, shape public opinion, and the outcomes can be wars between countries (Herman and Chomsky, 1994). The hegemony of the modern firm manifests itself in six crucial spheres of society, namely economic, socio-cultural, work (employer-employee relationship), technological, environmental and political. This hegemony is generally referred to as corporate power (Epstein, 1973). The exercise of corporate power in the political sphere, named Corporate Political Power ("CPP"), is the most important of the six because whoever writes or influences the writing of the rules of laws, can align society around their interests (Xuetong, 2011). Historical examples of the persecutions of wealthy ethnic minorities by governments show the security procured by holding political power rather than economic power only.

Adam Smith in *The Wealth of Nation* (1776) echoed this dichotomy between economic power and political power: although wealth can be a mechanism to acquire political power, it does not necessarily provide it.

While the power of business was growing under neoliberalism during the 1980s, a phenomenon was spreading in parallel: “Corporate Social Responsibility” (CSR). As put by Sadler and Lloyd (2009), as the welfare state rolled back, CSR rolled in as substitute for regulations, driven by deliberate actions of governments and inter-governmental organisations like the United Nations (Newell, 2012). From the 1990s onwards, governments joined civil society organisations in the promotion of CSR to companies, asking them to develop, adopt, and promote voluntarily industry standards and internal codes of conduct (Bendell, 2004; Moon and Vogel, 2008). CSR came to be seen by governments and civil society as a means to economic and social ends for the wellbeing of society.

Since the appearance of the modern company in the late 19th century, the contemporary CSR phenomenon is the latest manifestation of the longstanding debate over the relationship between business and society (Jenkins, 2005). This debate – to whom and for what the company is responsible for – is implicitly about the regulation of corporate power. According to Morris (2002) who made one of the first philosophical analysis of the power concept, we cannot mention one without implicitly referring to the other. Power and (social) responsibility are two sides of the same coin. To say that an actor is (socially) responsible or has obligations, is to admit the actor has the capacity to affect some outcomes. To say that an actor is powerful is to assign to this actor a responsibility for actions that affect outcomes, or the

omission to act despite having the capacity. The disinclination to act when one can, meaning the disinclination to exercise power, is to refuse responsibility. But this refusal does not prevent one from being held accountable for the outcomes. In the words of Lord Salisbury (1884): "Those who have the absolute power of preventing lamentable events and, knowing what is taking place, refuse to exercise that power, are responsible for what happens" (cited in Gwendolen, 1931/2013, p.98). The intrinsic relationship between power and responsibility explains why some scholars such as Bendell (2004) argue that the CSR debate is a debate on the hegemony of corporate power. CSR and corporate power are two inseparable subjects, although most scholars do not stress this point explicitly. Corporate power has been under-researched in the CSR field. The reason is the difficulty associated with conceptualising power itself. What is power? Who has it, how is it exercised and who benefits? Contemporary economists have also tended to exclude corporate power from theories, except in the analysis of monopoly markets. Williamson (1985) justified this exclusion on the basis that "the concept is so poorly defined that power can be and is invoked to explain virtually anything" (p. 237-238). This would explain why the findings of any corporate power study are prone to be denounced as more representative of the researcher's assumptions than reality (Luger, 2000). But as Galbraith (1973) and some Marxist economists (Schutz, 1995; Dementyev, 2006) argued, the exclusion of corporate power in theories hinders their effectiveness in explaining the reality of trades and social relations.

Accounts of the relationship between CSR and corporate power are usually found in historical surveys of CSR and business (e.g. Eberstadt, 1973; Vogel,

1991; Micklethwait and Wooldridge, 2005). In a thought-provoking historical analysis of CSR in the US, from the mid-18th century to today, Carroll and colleagues (2012) show that CSR engagements by the business community correlate with public perception of corporate economic and political power. The more companies appear to hold significant influence and power over people's lives, the more people expect them to solve societal issues. More social obligations are expected to be fulfilled by businesses. Failure to meet those expectations of engagement in social and environmental activities, called "CSR activities", has usually resulted in conflicts that jeopardised corporate legitimacy and revenues (e.g. boycotts, strikes) (Carroll et al., 2012). Some of these conflicts mobilised the public and required the government to intervene and regulate business activities. Such regulations came at the expense of the power and profits of business. Mitchell (1986), Carroll et al. (2012) and the consultancy firm SustainAbility (2002) identified a 10-year gap in average between visible conflicts, and the prevalence of CSR activities by business that addressed the issues that created those conflicts. According to these three, the 1920s, 1970s and 2000s were periods during which CSR activities gained in popularity in the US. The 1920s followed the progressive era during which the power of large companies and the so-called robber barons were scrutinised. The 1970s followed the rise of the environmental movement during the 1960s. The CSR period of the 2000s emerged from the "name and shame" campaigns of the 1990s, epitomised by the "Battle of Seattle" at the World Trade Organisation in 1999. Another pattern found by these historical studies is that since the 1970s, when a crisis occurs, companies react immediately to public criticism with various social initiatives

to protect their image. Recent evidence can be found in the after-effects of corporate scandals such as Enron, and the 2008 financial crisis. Companies responded to these crises by pledging to be more socially responsible. Today 93 percent of the 250 largest global companies report on their social and environmental practices, compared to only 12 percent in 1993 (KPMG, 2005, 2013).

A number of contemporary authors have tried to bring corporate power in the CSR debate through descriptive accounts of social reality (Richter, 2001; Doane, 2005; Barley, 2007; Conrad and Abbot, 2007; Devinney, 2009; Newell, 2012; Stiglitz, 2011). According to them, CSR opens up opportunities for companies to exercise CPP and capture the public policy-making process by moving it from the public arena to the private. Ironically these critics of CSR who are often against neoliberal capitalism and globalisation, echo claims on the political consequences of CSR made by a number of neoliberal economists such as Levitt (1958), Friedman (1962) and Bauer (1982). According to these neoliberal scholars, laissez faire capitalism “promotes political freedom because it separates economic power from political power and in this way enables the one to offset the other” (Friedman, 1962, p.9). The arguments against CSR were summarised in the widely cited New York Times article by Friedman (1970), *The Social Responsibility of Business is to Increase its Profits*. In the article, Friedman (1970) called CSR a political and subversive doctrine that relied on political mechanisms to bridge economic and political powers, and turn a corporate philanthropist into a “legislator, executive and, jurist” (p.33). He framed the CSR debate as a trade off

between welfare provided by business, and consumers' political power (freedom in a democracy), and claimed that the corporate philanthropist would end up with great political power to the detriment of the beneficiaries of its social actions. For Friedman, CSR shared the same objectives as government welfare to address the externalities of the market to achieve a certain level of economic equality in society. Although these are admirable goals, Friedman argued that they diminished the economic and political freedoms of recipients as the philanthropists imposed decisions on them.

Since the publication of this famous essay, much has been written to refute Friedman's central argument, namely that the role of the firm in society should be to focus on making profits within legal and ethical boundaries, rather than attending to the practice of CSR (Banerjee, 2007; Feldman, 2007). However his other argument, that the beneficiaries of corporate welfare might lose their political power and freedom in the exchange, has been lost in the debate between advocates and opponents of CSR. This thesis is motivated by the theoretical problem that Friedman (1962, 1970) and other neoliberal economists (e.g. Bauer, 1982) raised: governments and civil society encourage business to undertake CSR for the public interest, yet more CSR might strengthen CPP that would be used to undermine the interest of the public. Therein lies a possible paradox of CSR, which invites for theoretical and empirical research on the political nature of CSR. Scholars have neither theoretically discussed this CSR paradox, nor provided empirical accounts of how the relationship between CSR activities and CPP unfolds. However the analysis of the paradox of CSR itself is problematic because, it requires investigating the impact of CPP on companies' stakeholders and the public at

large. As Mitchell et al. (1997) have argued, the identification and selection of stakeholders are always open to challenge. For this reason this study will not research the paradox of CSR per se (i.e. the effects on stakeholders), but will focus on its mechanisms (i.e. how the link CSR-CPP comes to exist).

1.2 Purpose and Research Question

CSR and CPP are timely topics because of the effects of globalisation, the crisis of welfare state programmes, and the constant debates on climate change and corporate malpractices (Albareda et al., 2007). On the one hand, CSR and broader sustainability issues are now of interest to all citizens, including academics, businesses, government officials¹, civil society² and general members of the public (Vallentin and Murillo, 2012). On the other hand, the influence of business in public policy-making is of increasing concern, as corporate wealth is perceived to corrupt elected government officials and corrode the principles of democracy (Carroll, 2004; Barley, 2007; Ellis, 2008). Given their current importance, CSR and CPP are therefore critical fields of research. But scholars tend to study them in parallel, as if they were without affinity. The insufficient attention paid theoretically and empirically to the intrinsic relationship between responsibility and power might explain the dearth of research on how CSR and CPP are connected (Mitchell, 1986). How does this relationship work? What are the mechanisms by which CSR activities lead to CPP? The literature still lacks clear answers to these questions despite recent calls to study the political dimension of CSR (Lyon

¹ The terms “policy-maker”, “politician”, “government official” and “public official” are used interchangeably throughout this thesis.

² “Civil society” refers to the association of “civil groups” that are formal or informal not-for-profit organisations and networks not connected to governmental institutions.

and Maxwell, 2008; Hadanis and Coombes, 2012; Hond et al., 2014). The exploration of CSR activities through a political lens could advance our current understanding of this contested concept, which remains difficult to define and operationalise (Gond and Moon, 2011). Given the research problem identified, the mechanism of the relationship between CSR and CPP, the main research question addressed by this study is: **How does CSR contribute to CPP?** This research question will guide the study in the identification of the methods and processes by which CSR activities link to corporate power in the political arena.

1.3 Contributions

There are a number of reasons why this study is significant for theory and practice. Firstly, it examines the political dimension of CSR and its political effects from a business perspective. This approach departs from mainstream research on CSR that neglects corporate power, and have tended to emphasise its economic dimension (Vogel, 2005). As such the study draws attention and contributes to the political theory of CSR “extended corporate citizenship” (Matten and Crane, 2005), which is still predominantly theoretical and descriptive, by giving empirical evidence to its proposition that CSR activities are political acts. The study built on Hillman and Hitt’s (1999) claims that the political environment of the firm is comparable to a marketplace, and a successful exercise of CPP requires an exchange of political goods between the firm and policy-makers. It was found that political goods were the mechanisms by which CSR activities contribute to the power of the firm in the political arena. CSR activities produce four political goods, namely public

image, technical expertise, social capital and indebtedness, which are used by companies to get access to policy-makers, and then persuade them to adopt the firm's propositions on a public issue. These findings will expand knowledge in the field of management and political sciences, because they present CSR activities as substitutes of "traditional" political activities, such as financial donations.

Secondly, the study narrows the gap in knowledge on the political nature and impacts of CSR, which have received relatively little attention in the management literature to date. The study did not find evidence that businesses engaged in social or environmental activities for the public but to advance or protect their own interests. By adding this finding to the first one, that is CSR contributes to CPP by giving more opportunities to companies to shape government policies, the results of this thesis lend support to the existence of a paradox of CSR: CSR yields CPP, and the political effects of CSR *could be* harmful to the public because, when the interest of companies and the public are at odds, it is unlikely that companies use their strengthened CPP by CSR to support regulations that goes against their self-interest.

This observation challenges the mainstream discourse on the merits and social benefits of CSR, encapsulated in the motto of the business case for CSR, "doing well by doing good". The societal implications of this finding should encourage all actors engaged in the debate on CSR, to put power back at the centre of the discourse. CSR needs to be seen as a set of activities that have political consequences.

Thirdly, the study develops a conceptual model that depicts the relationship between CSR and CPP. The model exposes what I call the “political case for CSR”, which is the undertaking of CSR activities on political grounds (the advantages brought by CSR activities to the firm by political means). The model provides researchers with a novel framework to research the link between CSR and corporate financial performance, through the analysis of the political effects of CSR on the firm.

Finally, the study answers calls by scholars to contextualise research on corporate social and political activities. Both concepts, CSR and CPP, are contingent upon time, culture, industry and situations (Skippari et al., 2005; Carroll et al., 2012). Yet the majority of empirical studies mix data from various industries that face different social and political issues. Research on corporate political activities (CPAs), which are associated with CPP, has been particularly criticised for being US-centric (Skippari et al., 2005; Frynas et al., 2006; Rasche, 2015). This prevalence is explained by the availability and easy access to quantitative data on corporate political expenditure in the US, data that are not available to the same extent in other countries (Shaffer, 1995; Lawton et al., 2013). However cultures and business practices vary between nations, therefore research in this field needs more data with a non North American perspective (Barron, 2010). This thesis addresses these gaps by focusing on the UK, and more particularly the British construction industry. Three arguments motivated these choices. Firstly, the UK is one of the leading advocates of CSR and neoliberal capitalism in Europe (Crouch, 2011; Kinderman, 2012). Therefore we should expect CSR activities to be prominent in the country and the political effects observable. Secondly, the

characteristics of the British construction industry make it attractive for this research. Not only does the industry create products that shape social life in communities (e.g. houses and office buildings), but the industry has also a very close relationship with the British government because it is the largest client. The industry is known to have “the greatest propensity to bribe public officials and exert undue influence on government policies and regulations” (Transparency International UK, 2008). Last, there is limited knowledge on CSR and political activities in the British construction industry (Murray and Dainty, 2008). These characteristics made this industry a good contextual background to expand knowledge in the fields of CSR and CPP.

1.4 Scope and Structure of the Thesis

The research problem addressed is CSR as a paradoxical promoter of CPP. The scope of this study is therefore restricted to the political environment of the firm, and to the study of the business-government relationship. Since it is the firm that practices CSR and enters the political arena to influence government policies, the firm is the unit of analysis. The analysis takes place at the organisational level from the firm’s perspective. The study is in one direction only, from the firm to the government. The study focuses on the British construction industry, the reasons for which will be given in details in Chapters 3 and 4.

The thesis is divided into six chapters. This first chapter introduced the topic of the research, the rationale and the main contributions expected. Chapter 2 consists of the literature review on power and corporate political activities, followed by the review of the political aspects of CSR. The chapter starts by

defining CPP and discussing the nature of the firm in order to clarify the unit of analysis of the research. It then discusses the operationalisation of CPP, and the factors that drive companies to seek CPP and how. The results of these discussions then guide the review of the CSR literature. Chapter 2 culminates in an initial conceptual model upon which the research is based.

Chapter 3 discusses the philosophical approach, assumptions and contextual background that led to the methodology and methods employed for the research. A multiple case study approach was adopted, which looked for literal replication across three cases of the mechanisms of CSR-CPP identified in Chapter 2.

Chapter 4 consists of the presentation of the industry in which the three case study companies operate, followed by the presentation of the findings from individual cases. Chapter 5 presents the cross-case analyses of findings of the case studies, and discusses the significance of the results in relation to the existing theoretical and empirical understanding of both CSR and CPP. Also presented is the final model that captures the CSR-CPP relationship.

Finally chapter 6 is the concluding chapter of the study. It highlights the key contributions of the thesis for government officials, practitioners and academics. The limitations of the study, and opportunities for future research, are also discussed.

1.5 Chapter Summary

This chapter has introduced the research topic and the research rationale. The objectives and a summary of the research contribution have also been

presented, as well as the structure of the thesis. Chapter 2 reviews the relevant literature.

Chapter 2

Literature Review

2.1 Introduction

On the basis of the main research question presented in the preceding chapter, this thesis' interest lies in the study of the political mechanisms and processes by which CSR activities contribute to the political power of the firm. To this end, this chapter reviews the theoretical and empirical literature that will support the research objective. Due to the interdisciplinary nature of the two concepts under study, corporate power and CSR, the study will draw on various disciplines, but particularly management and political economy.

This chapter is divided into five sections. The first section brings attention to the meaning of power and CPP as employed in this study. As put by Nye (1990), power "is like love...easier to experience than to define or measure, but no less real for that." (p.177). The concept is so subjective and amorphous that there is no single operational definition or measurement method of it (Chassagnon, 2009). The definitions are brought early on to avoid confusion and misunderstanding from the reader.

The second section reviews the nature of the firm and its purpose, in order to clarify the actors that the study focuses on, and the level of analysis. The third section reviews the existing literature on the theories of power and the related term "Corporate Political Activity" (CPA). From the review and the discussion that follows, CPP is conceptualised and operationalised to facilitate the identification of the CSR-CPP mechanisms. The fourth section reviews the

literature on CSR from a political perspective, including its determinants and effects. Finally, the chapter concludes with a synthesis of the preceding sections. It presents the gaps in the literature, the research question, and a conceptual model of the relationship between CSR and CPP.

2.2 Defining Power

A critical element that often leads to a misunderstanding of power is the lack of distinction between “power” and “influence”, even among students of power. For instance, Dahl (1961) tends to use the term “influence”, whereas his colleague Polsby (1960) favours the use of “power”. The distinction is not a mere concern of semantics because, as discourse theory explains, how we think and talk about a subject determines how we act in relation to that subject (Foucault, 1977, 1980). Therefore how one decides to differentiate (or not) power from influence affects (a) his or her definition of power by enlarging or restricting its operationalisation; (b) how he or she perceives power to manifest itself and be exercised; (c) the methods of measurement and ultimately, (d) the theory of power that one develops.

Some researchers treat the terms power and influence as synonyms and others do not; this contributes to the plethora of power theories found in the literature (Mann, 1986). Moscovici (1976) insisted on making the distinction between influence, power and dependence. According to him, we should not consider that if B is under influence of A, it means that B is dependent on A, or that A is more powerful than B. For instance in medieval time, a king was supposed to be the most powerful individual in a kingdom, but the queen or the priest may have had more influence on him than the barons. “Karl Marx’s

ideas were influential but the man himself was not powerful, but Stalin.... [was] a man of influence only because he [was] first a man of power” (Bierstedt, 1950, p.731-732). The nature of the difference between power and influence has taken several forms in the literature. Two that are noteworthy are the sanction-based distinction (Lasswell and Kaplan, 1950) and the intention-based distinction (Wrong, 1979) (for a full review see Zimmerling, 2005).

The central argument of the sanction-based distinction is that power is coercive persuasion and exercised by coercion and sanctions. Influence is non-coercive persuasion and takes place by means of information and advice. This distinction between power and influence is the predominant paradigm in our society, with the underlying assumption that the exercise of power implies an adversarial relation between actors (Karlberg, 2005). Power is perceived like an ability or potential yet to be realised (i.e. a ‘stored’ capacity), and influence is the manifestation of that capacity by the power-holder (Scott, 2001a; Karlberg, 2005).

In contrast to the sanction-based distinction, the intention-based distinction argues that power represents a special case of influence. Influence is the general concept and power is a sub-category of it. “Power is the capacity of some persons to produce intended and foreseen effects on others” (Wrong, 1979, p.2). Wrong’s definition implies that any accidental effect on others is not a manifestation of power but influence. According to him, the tendency for people to use the terms power and influence alternatively is due to the fact that in European languages, there is no verb for “power”. Instead of “the boss

powers the workers”, we say “the boss influences the workers”, with “influence” meaning that the boss exercises power (Willer et al., 1997).

From a sanction-based distinction perspective, power could be effected without being exercised when for instance, people behave in a certain way due to their belief that the actor with the capacity to exercise power might do it at any moment. Scott (2001a) sees this alteration of behaviour based on an anticipated reaction as an effect of the person’s power, but for Wrong (1979), this change in behaviour is an effect of the person’s (unintended) influence. The belief of future power manifestation is imaginary; its origin is the result of the influence’s halo effect perceived through resources attributed to the individual, such as physical force, money or authority. Once individuals are aware of someone’s power capacity and believe this power can affect them, they will modify their behaviour by themselves and behave according to what they think the actor expects or not. More importantly, this belief of anticipated reactions could increase an actor’s power at the expense of those who hold this belief:

“If an actor is believed to be powerful, if he knows that others hold such a belief, and if he encourages it and resolves to make use of it by intervening in or punishing actions by the others who do not comply with his wishes, *then* he truly has power and his power has indeed been conferred on him by the attributions, perhaps initially without foundation, of others” (Wrong 1979, p.9)

The clarity of the argument put forward by Wrong (1979) convinces me to adopt his definition of power for this thesis. Building on it, CPP is defined as *the capacity of a firm to produce intended and foreseen effects on the regulatory processes and outcomes.*

Following this explanation of the distinction between power and influence, and having defined CPP accordingly, in the next section I clarify the analytical approach of the study with a discussion on the nature of the firm and its purpose.

2.3 The Nature and Purpose of the Firm

One of the legacies of the Roman Empire that is still with us today, is the invention of the company and corporate laws. Their form of companies, the ‘societates’, were originally social institutions created for the common good of the community such as municipalities and colleges, but also associations of craftsmen and merchants to form guilds (Keay, 1991; Branco, 2006). Over time the corporate form has changed, from its Roman origin with a non-for-profit and community-orientation, to its present for-profit orientation. Many theories from various disciplines have been proposed to explain the nature and purpose of the firm. Three are prevalent in social science: (1) the agency theory that presents the firm as a legal fiction, (2) the real entity theory that views the firm as a legal person, and (3) the corporate personhood theory that describes the firm as a moral person. Each view is discussed in turn.

The dominant view among economists is that the company is a fictional entity. First posited in Coase's (1937) contractual theory, and then developed by agency theorists (Jensen and Meckling, 1976), the company is described as an entity that comes to existence to reduce transaction costs that take place in the market between contracting parties. The company acts as a nexus of contracting relationships between rational individuals, whether inside or outside the firm. Each individual part of the nexus (workers, managers, shareholders, customers, creditors...) legally contracts with each other to gain economically, by exchanging their property voluntarily, whether that is labour, products, services or money (Alchian and Demsetz, 1972). Since the company consists of an aggregation of individuals who agree to trade with each other for efficiency reasons, the company itself is largely fictitious (Phillips, 1994). The corollary is that the firm as a legal fiction has no power, rights or responsibilities, but the individuals who contribute, gain or suffer a loss in a transaction do. They are the ones who should be legally liable and responsible for the transactions, although they can include a clause of limited liability in their contract (Rönnegard, 2015). As put by Milton Friedman (in The Corporation, 2003: video):

"If a building can't have responsibilities what does it mean to say that a corporation can't? A corporation is simply an artificial legal structure. It doesn't have any [social responsibility], it's neither moral nor immoral. It's simply what it is. But the people who are engaged in it, whether the stockholders, whether the executives in it, whether the employees, they all have moral responsibilities".

Under agency theory, shareholders delegate the responsibility of managing the company to managers, their agents, who then oversee the transactions between contracting parties in the best interest of shareholders. This arrangement is typical in the modern form of the public limited company. The creditors, managers and other contracting parties have fixed claims against corporate revenue. They are usually compensated in advance of shareholders, who have a contractual claim on the residual value of the company once all obligations have been paid. In that sense, shareholders are residual risk bearers and residual claimants (Easterbrook and Fischel, 1991). In addition to providing the initial capital that allows the formation of contractual relationships, they are the only ones to bear the costs of contracting relationship. For this reason, agency theorists claim that the rights of shareholder are *prima facie* and therefore, their objectives should be the only ones to be pursued by the company. This idea has evolved into the “shareholder primacy” argument that holds that the interests of the company and shareholders are one (Stout, 2002). Corporate managers owe shareholders the fiduciary duty to maximise shareholder value, which is measured by the rise of the share price and dividend payments.

A number of critiques have been levelled against agency theory, in particular for its proposition that the main purpose of the firm is to maximise shareholder value. Cyert and March (1963), who proposed a behavioural theory of the firm to explain how decisions were made within companies, consider this argument too theoretical, and argue that it is not representative of companies in the real world. In reality, corporate managers have difficulties to manage

resources efficiently and make the right decisions, because they do not have perfect knowledge of the market. More importantly, not all companies try to maximise shareholder value. For instance family firms, public or private, invest cautiously because their objective is to create socio-emotional wealth (Gomez-Mejia et al., 2007), and pass the firm on to the next generations (Lee, 2006). Making a profit is essential to keep the business running, but it would be short-sighted to claim that the only satisfaction in the life of the principal, or its agent, is to maximise their personal wealth. Because shareholders are human beings with diverging interests, there is no single metric of “shareholder value” argues the legal scholar Stout (2012). Just as all do not share the same view on a company’s strategy, it cannot be assumed that all agree on what constitutes an acceptable level of profit and dividend (i.e. shareholder value).

Another opposition to the assumptions and predictions of the contractual and agency theories is articulated by Blair and Stout’s (1999) team production theory. The team production theory posits that all contracting parties in the nexus of the firm invest time, money, and expertise into developing a working relationship with the firm, albeit to varying degrees. Their investment has a value that contributes to the firm’s success, so the contribution of all these parties is a team effort. This effort cannot be fully protected by formal contracts, and all team members are at risk of having the value of their investment undermined if one member (e.g. shareholders) is given control of the company, or control of how profits generated by the team should be divided. Due to the incompleteness of contracts, to protect the investment of all the contracting parties ex-ante, corporate governance mechanisms must

be put in place. For instance an independent board of directors could mediate the conflict of interests between the team members. The team production theory suggests the firm is not a nexus of contracts but a nexus of firm-specific investments, with many residual claimants that must be accommodated. Blair and Stout's (1999) claim of incomplete contracts is echoed by Zingales (2000), who calls for a distinction between the theory of the firm as a nexus of *explicit* contracts as described by Jensen and Meckling (1976), and a theory of the firm as a nexus of *explicit and implicit* contracts. The latter suggests that not all possibilities are predictable and contractible, therefore not all contracting parties are fully protected in a contract. For instance, most employees cannot negotiate the terms of their employment. In addition, some implicit elements like reputation and legitimacy are built over time after an explicit contract has been agreed. Under this new conception of the nexus-of-contract, the firm is responsible for protecting the interests of all parties part of the firm-nexus, shareholders and others. Moreover, because some decisions regarding the allocation of the firm's resources affect individuals who do not contract but are victims of externalities, the firm has an implicit responsibility toward all individuals that the nexus affects (Freeman, 1984).

The second view on the nature of the firm is captured by the real entity theory, popular among legal scholars (Phillips, 1994; Avi-Yonah, 2005). The theory conceptualises the company as a legal person in its own right. It is not the sum of its members but a separate and legal entity, amoral, that pursues its own interest, which is firm value creation (Bakan, 2005; Rønnegard, 2015).

The main claim of the theory is that the firm has rights of its own that are distinct of its members. In a way the theory advocates “corporate primacy”, but as Rönnegard points out (2015), in practice the firm has rights and interests that cannot be entirely different of the interests from its members.

Today this second view of corporate nature is the prevalent opinion in practice. In UK corporate law, a private company is not a legal fiction but a legal person with perpetual life, separate and distinct from its members. The company has the right to own property, sue and be sued, bears responsibility and civil and criminal limited liability (French et al., 2014). The main characteristic of the Anglo-American model of the firm is its shareholder-centric orientation, but UK corporate law has made attempts to balance shareholder’s interests, and the ones of other corporate members, by promoting “enlightened shareholder value” (Williams and Conley, 2005; Brammer et al., 2012). The UK Companies Act 2006 requires corporate managers to create value for the firm by taking into account the short and long-term effects of corporate activities on the environment and communities.

The third and final perspective on corporate nature is found in corporate personhood theory, which holds that the firm is a real and moral person. This attribution of a metaphysical status to the firm, built on the real entity theory, has been championed by French (1979, 1996). The corporate personhood theory claims that the company is a moral entity, with its own personality like any individual, distinct from those who work in it. The company bears legal and moral obligations, and it is this legal person that should be the only one liable for corporate misconduct. Corporate moral theorists advance three

arguments to support their theory (French, 1996; Goodpaster; 1984; Arnold, 2006): firstly, a company has a name and identity independent of the members that create and work in it. People refer and treat organisations like real persons, for example through statements like “company X damages the environment”. Secondly, the company is formed of the aggregation of several people, including workers and shareholders that compose it, but it has a personality of its own. The company is not the sum of its parts; it has its own culture that influences and is influenced by its internal and external environment (Phillips, 1994). By indoctrination, employees adopt the “cult” of the company. As research on group behaviour indicates, one’s behaviour change when one joins or is affiliated with a social group (Held, 1970; French, 1979; Nesteruk, 1991; Rhee, 2008). Finally, the purpose of the corporate person is incorporated in its structure by default when it is created, i.e. the articles of incorporation of the firm, and the act of incorporation issued by the government state the purpose of the business. Hence the intentions of a company do not emerge suddenly in the course of actions as part of an unexpected desire by the owners or managers. And if a company during its existence decides to change the goal of its activities, it is legally obliged to submit new articles of incorporation that describe its new purpose to Companies House, the British government agency that issues and monitors corporate “birth certificates”.

This last view of the firm as an independent moral agent with a conscience of its own has been heavily criticized, the main objection being that the corporate entity is not truly independent of its members because it does not develop intentions and act by itself (Velasquez, 1983, 2003; Werhane, 1985; Phillips,

1994; Metzger and Dalton, 1996). Critics also argue that the firm is not merely a legal entity in contemplation of the law, but a legal instrument invented to further the interest of its owner(s) (Rönnegard, 2015). The distance between “corporate primacy” and “shareholder primacy” is not large.

In spite of their differences, these three views on corporate nature (legal fiction, legal person, moral person) share the belief that a company is by nature a revenue-seeking entity. Without revenues, its life expectancy is short (Carroll, 1991; Phillips, 1994). The revenue activities of the firm are constrained by the legal framework set by government that determines, monitors and enforces corporate activities, accountability, responsibility and liability (Pfeffer and Salancik, 1978). Since government policies affect the operations of the firm and therefore its revenues, it must engage in political advocacy. The firm must either convince the government to provide a legal framework that gives it opportunities to operate and obtain revenues, or mitigate the effects of public policies that threaten these opportunities (Buchholz, 1994). How the firm does any of those through CSR is the subject of this thesis. Consequently the analysis is about the inter-organisational relationship between these two actors, the firm that seeks CPP to exist, and the government that designs and implements public policies that assist or hinder corporate activities (Stevens et al., 1986). The study is from the firm’s perspective only. To be close to reality within the scope of this thesis, I follow UK corporate law with its concept of “enlightened shareholder value” that sits between the American shareholder wealth-maximising orientation, and the Continental European stakeholder model of the firm (William and Conley,

2005). Therefore I view the firm as described by the real entity theory. That is the firm, the unit of analysis, is a legal person, an amoral citizen that seeks to further its own interests by social, environmental and political activities.

Having clarified the level of analysis of the study, I turn next to the review of the power literature.

2.4 Corporate Political Power

The theories of power by the political scientists Dahl (1957, 1961), Mills (1956, 1958), Bachrach and Baratz (1962), Lukes (1974), Foucault (1977, 1980) and Giddens (1984), have greatly contributed to our understanding of the political power of business by explaining the different forms that power can take when it manifests. I will first review the main forms of power in the literature for an overview. This will provide the basis for the later discussion of their applications to the business firm in the political arena.

2.4.1 Forms of Power

The first form of power is “overt power”, which consists in observable actions by actors in the public decision-making arena. This theory is associated with Dahl’s (1961) pluralist view of power, which claims that power is exercised by several interest groups³ and is therefore pluralistic. The pluralists emphasise study of the visible exercise of power, that is power is analysed only during observable conflicts to see who gains and loses during the bargaining. This approach aims at demonstrating there is no elite group that has more power

³ An interest group is a single actor, or group of actors, with preferences for or a stake in a particular issue (Baron, 1995).

than any other interest group. It also follows the conventional scientific analytic methods that require studying visible and quantifiable facts for demonstration (McGettigan, 2002).

The second form of power is “hidden power”, also called “covert power”. It is found in the capacity of an actor to suppress decision-making processes (Bachrach and Baratz, 1962). The actor uses the structures of a social, economic or political system to create or reinforce barriers to public debates of policy conflicts. Contrary to “overt power” that is instrumental because it relies on agency/actions where causes and effects are observable, “hidden power” is structural (Bernhagen and Bräuninger, 2005). The central claim of this second form of power is that the control of the agenda is a crucial aspect of the exercise of power, so the powerful actors are the ones able to manipulate to their advantage the bias (‘rules of the game’) inherent in the structure of institutions. By doing so, an elite group can define the agenda outside the public decision-making process to prevent certain actors, issues or conflicts to appear or being raised in public (Mills, 1956, 1958). As Langer (1948) remarked, “the way a question is asked limits and disposes the way in which any answer to it, right or wrong, may be given”(p.1).

Bachrach and Baratz (1962) oppose the overt face of power as a full representation of the nature of power, but agree with Dahl (1961) for a scientific analysis of it. They claim that non-decision barriers are observable and that for power to exist, observable overt or covert conflicts must be present (McGettigan, 2002). If there are no observable conflicts, we cannot judge accurately whether “consensus is genuine or instead has been enforced

through non decision-making” (Bachrach and Baratz, 1970, p.49). They suggest that researchers focus on who decides what, when and how, who remains outside the public decision-making arena, how it is done, and the interconnections between the overt and covert faces of power. But for Lukes (1974), the flaw of covert power is its similarity to overt power: both recognise the existence of power *only* in situation of conflicts, when actually the most effective use of power is to prevent such conflicts from arising in the first place. For this reason, he proposed a third form of power.

The third form of power is “radical power”, also called “invisible power”. It consists in preventing conflicts from arising altogether, by the creation of false consciousness in the mind of opponents during overt and covert conflicts, but also in situations of potential or latent conflicts (Lukes, 1974). Put simply, the invisible face of power refers to A’s ability to set the agenda and influence norms and ideas without directly targeting B, but by embedding A’s knowledge in social structures through discourses (Strange, 1994). Discourse is the combination of knowledge and communication, a “complex mixture of ideas and expressions through which individuals both perceive and in turn try to explain social reality” (Goverde et al. 2000, p.14). Power holders manipulate their opponents’ real interests by institutionalising them through education (family, church, school), mass media (newspaper, TV, radio), and socialisation processes (social clubs, work place, political parties). Institutionalisation leads to the self-regulation of opponents, who then voluntarily make decisions that might be against their real preferences and interests. Power used this way creates illusions to manufacture consent of

opponents, making conflicts of opinion non-existent or never being raised in public (Herman and Chomsky, 1988). This mechanism of invisible power overlaps to some extent with Foucault's (1977) claim that knowledge produces power and power produces knowledge. The power-knowledge circle institutionalises certain values and beliefs in society (e.g. belief in laissez faire capitalism), and disciplines the thoughts and behaviours of people. The difference between Luke (1974) and Foucault (1977) is that the latter was a post-modernist, who believed power was not the property of an actor, but was embedded within the social fabric of society. For Foucault, power was everywhere and everyone was subject to it. No single actor could hold and exercise power.

The critics of invisible power (Bradshaw, 1976; Clegg, 1989; Berenskoetter, 2007) argue that it cannot be operationalised, because to recognise it requires first to identify intentionally manipulated referents and discursive information by A that interrupt B's true interests. Benton (1981) called this impasse the "paradox of emancipation" (p.162). People do not know their real interests until they are emancipated from the effects of invisible power, yet becoming emancipated from it requires becoming aware of it first. Because invisible power prevents one's ability to recognise and challenge it, emancipation cannot occur. Therein lies the paradox. Lukes, despite his strong case against the other two forms power, acknowledged that the third form could not be easily examined empirically (Shapiro, 2006).

Having reviewed the three facets of power generally found in the literature, they will now be applied to politically active firms.

2.4.2 Framework of CPP

Building upon these general theories on the forms of power, Veneklasen and Miller (2002) created a framework called the Power Matrix that operationalises power. It breaks down the forms into three types (visible, hidden and invisible), and presents the instruments (activities, norms and practices) that put in motion the mechanisms of each power form.

Forms of Power	Visible (observable decision-making)	Hidden (setting the political agenda)	Invisible (shaping meaning)
Descriptions	The formal rules, structures, authorities, institutions, and procedures of decision-making.	Power by controlling who gets to the decision-making table, and by setting the options visible on the agenda before the observable bargaining starts.	Problems and issues are not only kept from the agenda, but also from the consciousness of actors who get to the decision-making table.
Mechanisms	Visible actions that shape the formal rules of society.	Exclusion and delegitimation of certain groups by unwritten rules, practices, and institutions.	Institutionalisation by control of knowledge/information.
Instruments	Laws, constitutions, budgets, conventions, standards.	Any actions that silence, intimidate, misinform or co-opt (e.g. private meetings outside the public decision-making arena; chairing of a meeting to set the agenda).	Practices and cultural norms that shape people's understanding of their needs and possibilities in ways that deter effective actions for change (e.g. religious education, advertising).

Table 1: Power Matrix (adapted from Veneklasen and Miller, 2002)

The Power Matrix is popular among students of CPP (e.g. Levy and Egan, 2003; Fuchs, 2005; Berenskoetter, 2007; Hathaway, 2013a) due to its simplicity in applying it to business and therefore, operationalising CPP. The matrix helps visualising, identifying and exploring the sources and mechanisms of power that affect a given issue, to then develop the appropriate response to reinforce or tackle them. When using the matrix, one must assume that the mechanisms of one power form can create or complement the exercise of another power form. This forces the researcher to uncover their interplay and effects when collecting data, and prevent privileging one power form over others. As put by Hathaway (2013b), “the Sicilian Mafia is powerful not only due to its use of violence (visible power) but due to its corruption of officials (hidden power) and Omerta – its code of silence (invisible power). Exploring only one form of power would not allow an understanding of the power of the Mafia.” (p.2).

To discuss the application of the Power Matrix in the political arena, I refer to the forms of power as ‘forms of CPP’. Scholars and practitioners use various general terms to refer to the multitude of instruments of the three forms of CPP. They include lobbying, corporate political activity, corporate political tactic, public affairs, government relations, public issues management, political marketing, or still political public relations (McGrath et al., 2010). It needs to be pointed out that the popularity of “lobbying” as an umbrella term is not merited. Lobbying consists *only* in the provision of information as input on a current or future public policy on behalf of a company (Anastasiadis, 2006). In this thesis, Corporate Political Activity (CPA) will be used as the umbrella

term to refer to the firm's instruments – visible, hidden and invisible – used in the political environment to produce political outcomes that ensure its economic success (Getz, 1997). In what follows I discuss each form of CPP.

Visible CPP:

Visible CPP is instrumental, in the sense that it consists of observable acts perpetrated by corporate actors. The taxonomy of CPAs presented in Table 2 below lists the main corporate activities recognised as instruments of visible CPP in the literature on corporate political activity.

Type of CPA	Function	Activities
Financial	Persuade policy-makers through financial contributions	Donations to policy-makers and political parties, speaking fees, personal services provision, bribery, hire of board members with political experience (revolving door)
Informational	Persuade policy-makers through the provision of information	Lobbying (i.e. the provision of information, such as commissioning and reporting research and survey results, private meeting, testifying as expert witness before government bodies, responding to government consultations, supplying position papers or technical reports, press releases diffusion), advocacy advertising, newspaper op-eds, litigations, revolving door
Relational	Persuade policy-makers through political ties	Constituency building ⁴ , coalition building, Astroturfing ⁵ , revolving door

Table 2: Types of CPAs
(adapted from Hillman and Hitt, 1999; Hillman et al., 1999)

⁴ Constituency building is an “attempt to influence public policy by gaining support of individual voters and citizens, who, in turn, express their policy preferences to political decision makers” (Hillman and Hitt, 1999, p. 834).

⁵ Astroturfing are political activities created and sponsored by companies that are designed to look like grassroots efforts and bottom-up activism that support companies' position on a public issue.

The financial type of CPAs encompasses economic contributions to government officials directly (e.g. political campaign donations) and indirectly (e.g. event sponsorships). These incentives enable the firm to gain access to those policy-makers, and convince them to align their political decision to the view of the firm on a particular issue (Bonardi et al., 2006).

CPAs of the informational type consist in informing policy-makers on issues faced by the firm or group of firms in an industry, and recommending to them political responses to those issues. The company can take a pro-active stance to convey information by seeking private meetings with government officials, or take a passive approach and provide information during official government consultations mainly (Meznar and Nigh, 1995). In the UK, proposals for new policies are normally drafted by government agencies, which then invite citizens to respond to a consultation on the proposal before it is submitted to the Parliament for ratification. The consultation stage is usually where companies and other interest groups compete to have their policy preferences included in the final draft of the proposed policy. According to Rajwani and Liedong (2015), the informational type of CPA is under researched in the literature because it is difficult to measure, but it could be the most effective. Companies use particularly this type of CPA with government agencies, as they are the ones that draft the majority of government policies. The provision of information at an early stage of the policy-making process can influence the objective, content and scope of a policy proposal.

The third type of CPA is the most complex of all. It consists of building trust with government officials through political ties, in order to facilitate lobbying in favour of the firm's interests (Oliver and Holzinger, 2008). Indirect political ties can also be built by cultivating networks (e.g. group of constituents, political parties) that have an influence on politicians (Bell and Hindmoor, 2014).

Each of these types of CPA fulfils a specific function, but they are not always used separately. The Organisation for Economic Co-operation and Development (2009) has demonstrated that the three types of CPAs are integrated within the political activity "revolving door". This particular CPA involves the hiring of a (former) government official as an adviser or non-executive director, to lobby her or his former employer, often for the benefit of the company she or he was regulating. The revolving door also occurs when a corporate manager is elected to a public office, or is seconded to a government agency charged to regulate the industry where she or he comes from, and then returns to work in the industry in question (Dal Bó, 2006). During the secondment, the corporate manager befriends and builds ties with government officials, who later on will trust her or him when she or he will lobby them in the company's interest.

Hidden CPP:

Hidden CPP is congruent with the concept of covert power described in Section 2.4.1. From a business perspective, a first mechanism of hidden CPP is the privileged relationship that exists between the top officers of large companies and senior government officials. This particular political tie comes from their attendance of the same elite schools, and membership of the same

private clubs and political parties where they meet behind closed doors (Mizruchi and Bunting, 1981; Mizruchi, 1996). Useem (1984) gave evidence of this mechanism of CPP by exposing the existence of a business elite network in the 1970s, comprised of the leading companies and their top officers in the US and UK. The corporate members constituted a closed network by means of interlocking directorates and share-ownership ties. Useem (1984) found evidence of the three forms of CPP were transformative into one another. Corporate members of the network used the three types of CPA associated with visible power to build and maintain close relations with policy-makers, then framed political debates and set the agenda of political issues of interest to them. In exchange for developing a favourable political environment that advanced their interests, the elite network provided policy-makers with financial contributions to their political campaigns, information for policy-making, and post-political career employment through the practice of the revolving door. Three decades after Useem's (1984) work, McLean et al., (2010) and Vitali et al. (2011) gave further evidence on the existence of business elite networks. The former studied the directors of the 100 largest companies in the UK and France. They concluded that in each of these two countries, CPP was concentrated in the hands of a corporate elite, the "captains of the industry" who acted together to promote business interest. Vitali et al. (2011) reached a similar conclusion. They discovered that a small elite of 147 companies controls 40 percent of all multinational companies in the world through an interlocked network.

A second mechanism of hidden CPP in a market economy is the structural dependence of the state on business to provide employment and capital (Block, 1977). The argument, grounded in Marxist philosophy, holds that for the economy of a country to flourish, government's policies must be biased towards business. Public policies cannot be radically averse to business' interest (Przeworski and Wallerstein, 1988). As the British Foreign Minister Palmerston commented in 1841, "it is the business of the government to open and to secure the roads for the merchant" (cited in Snyder, 1993, p.157). According to Newell (2012), globalisation increases the structural power of companies by giving them more opportunities and flexibility for capital flight, i.e. capital can easily exit a national economy. Hathaway (2013a) reports how companies important to a local economy, for instance due to the size of the workforce employed, rarely have their demands ignored by local politicians. Structural dependence gives companies leverage in negotiations. They can play one government off against another when determining their sites of operation, and each government will attempt to be attractive by offering subsidies and by weakening their fiscal, labour or environmental policies.

Although the second mechanism of hidden CPP is theoretically convincing, it has been subject to a number of criticism for the lack of empirical evidence (Smith, 1999a). If the business community had a structurally privileged position, it would not need to invest in political advocacy. Yet it does because it is often defeated in the political arena; regulatory outcomes can be against industry interests (Vogel, 1989; Mitchell, 1997).

Invisible CPP:

Invisible CPP refers to Lukes' (1974) radical power concept, and encompasses both visible and hidden forms of CPP. Invisible CPP relies on discourses; it can exclude certain knowledge/information from political debates, and frame such debates in a way that leads actors to certain forms of actions rather than others (Fuchs and Lederer, 2007). Thus invisible CPP is discursive. It shapes beliefs and ideas to legitimise corporate activities, and to gain political support in order to advance corporate interests (Domhoff, 2005).

Discourse instruments that act as media of invisible CPP include corporate advertising, and testifying before parliamentary committees (Fooks and Gilmore, 2013; Fooks et al., 2013). Political ideology (e.g. environmentalism, communism and neoliberalism) is also an instrument of CPP. An ideology institutionalises certain values in society, and these values are taken for granted and rarely, if ever, questioned by those who adopt the ideology. For instance, the importance given to individual wealth and economic growth in the UK ensures that public policies do not impede business competitiveness. Politicians prefer market-based solutions to government interventions; the ideology of "economic growth" is rarely disputed (Levy and Egan, 2003).

One particular subtle instrument of invisible CPP is "sound science", a CPA that merges the mechanisms of visible and hidden CPP, to create false consciousness among the general public and policy-makers about scientific evidence. Sound science is comparable to Astroturfing because it usually requires the establishment of "front groups" to hide corporate involvement in the promotion of the sound science discourse. The impact can also take years to materialise. Levi and Egan (2000, 2003) gave an example by their exposé

of the negotiations for climate change policies in the 1990s. To avoid mandatory emission controls, the main strategy of the fossil fuel industry (oil, coal, utility) has been to use findings of its own scientific research to challenge the ones adopted by the United Nation and national governments. In 1991, the industry created a front group called the Information Council for the Environment (ICE), whose purpose was to reposition global warming as a controversial theory that was not based on empirical evidence. ICE hired scientists and sponsored a number of academic studies. The research results pointed to the lack of consensus among scientists, and invoked the need for higher standards of evidence to demonstrate causation between business activities and climate change. This “sound science” was promoted in the media, congressional testimonies and advertising campaigns. With time, the belief that global warming was not happening, or was not a threat to the planet, took hold among many policy-makers. The positive outcomes of this invisible CPP exercise for the fossil fuel industry materialised a decade later, with the Bush administration’s stance on environmental policies. In 2001, the American president opposed the ratification of the Kyoto Protocol agreed by his predecessor in 1998.

In a similar fashion, a “sound science” discourse was used by the tobacco industry to claim the lack of correlation between smoking and cancer. It delayed for decades stricter healthcare policies against the industry (Michaels, 2008).

To summarise this discussion, the three-dimensional view of CPP presents different perspectives on how power can be exercised by the firm in the

political realm. The three forms can be exercised one at the time or simultaneously; they also complement each other and can transform into one another. But whereas the study of visible CPP is reduced to the observation of visible actions, both hidden and invisible CPP point to the capacity of actors to leverage their position and role in society. Doing so, an actor can covertly manipulate social and political relations by defining and setting the agenda before any observable bargaining or conflict begins. From this perspective, CPP is also systemic, that is a full analysis requires considering the way social structures influence an actor's ability or capacity to act (Giddens, 1984). It is no more simply a question of "who" but also "what" has power that shapes an actor's behaviour. CPP is both within actions and structures. Actions and structures are inseparable; we cannot analyse one without the other. To overcome the difficult to empirically analyse hidden and invisible CPP, Levy and Egan (2000, 2003) and Hathaway (2013a) recommended doing event studies (longitudinal, historical, case study). They also suggested taking a long-term view because the mechanisms of power "work prior to, after and outside of political arena decision-making" (Hathaway, 2013a, p.86). These recommendations require the contextualisation of any research on CPP. As Sadan (1997) explained, the exercise of CPP "cannot be fully understood without relating to the social structure in the context of which it occurs" (p.68). These recommendations will be followed in this study.

The result of this discussion is a framework that operationalises CPP:

Forms of CPP	Visible	Hidden	Invisible
Characteristics	Agency	Structural	Discursive
Mechanisms	Visible actions that shape the policy-making process and policy outcomes	Certain actors and issues are excluded from public debates and decision making	Institutionalisation and control of knowledge
Instruments (CPAs)	Financial and informational types of CPA; constituency building; coalition building	Capital flight threats; front groups and third party sponsorship (Astroturfing); political ties; revolving door	Dominant neoliberal ideology (economic growth, free market, consumer choice); sound science

Table 3: CPP Framework

The CPP framework provides an overview of the facets of CPP and how they can be exercised. The framework suggests that any corporate activity that is able to set in motion one of the three mechanisms of CPP, is to be considered an instrument of CPP. Thus the CPAs listed in Table 3, which are the common ones found in the literature, should not be considered to be the only instruments of CPP. One way to find out what other corporate activities could be instruments of CPP, is to identify the factors that encourage companies to become politically active. The rationale within the context of the study is that asking ‘why does a company undertake CPAs?’ is another way of asking ‘why does a company seek CPP?’ Understanding the “why” for CPAs is a prelude

to understanding the “how”, that is the mechanisms and processes employed by companies to achieve political power.

2.4.3 Determinants of CPA

The identification of factors that influences companies to undertake political activities is a topic that has attracted the attention of scholars from different academic disciplines such as management, organisational behaviour, political science and economics. Corporate size (turnover, asset, number of employees), firm dependence on government contracts for revenues, industry structure and performance, and costs of regulations, are the usual determinants of CPA found in the literature (Schuler et al., 2002; Hillman et al., 2004). Nevertheless across the disciplines and their different theoretical perspectives, the underlying assumption has been that companies engage in CPA for economic reasons: by their nature discussed in Section 2.3, companies attempt to maintain and/or obtain revenues to survive (Lux et al., 2011). By and large, research points to the political environment of the firm as the key determinant, particularly regulatory uncertainty (Lawton et al., 2013). As Moore (1980) observed, a “business cannot hire, fire, determine salaries, price its products and services, advertise, buy other companies, merge with other companies, deal with unions, without reference to one or another government regulation” (p.6). In this regards, three explanatory frameworks resonate in the literature to justify the political activities of business. Two of them, Institutional Theory (DiMaggio and Powell, 1991) and the Resource-Dependence Theory (RDT) (Pfeffer and Salancik, 1978) share the view that the external environment force companies to engage in CPAs. In contrast the

Resource-Based View (RBV) of the firm (Barney, 1991) argues that the main motive is the desire to improve corporate performance by political means (Oliver and Holzinger, 2008). These three explanatory frameworks are discussed in turn.

Institutional Theory:

Isomorphism and legitimacy are at the core of the institutional theory, which seeks to explain homogeneity of actors' behaviour (DiMaggio and Powell, 1991). According to the theory, companies are part of their environment and like an ecosystem, their activities are shaped by coercive, normative and mimetic institutional forces. To be accepted and survive in the communities where they operate, companies must gain legitimacy by conforming to the social, political and legal norms of their environment. Legitimacy refers to whether organisational actions are appropriate to the beliefs, norms and values in the social structure within which they take place (Suchman, 1995). By meeting the expectations of society, companies are seen legitimate and given access to the resources they need to exist (Meyer and Rowan, 1977). Given that institutional forces are contextual, the political activities of a company change with time, space and the institutional pressures it encounters. It is been noted that companies that belong to the same industry face common institutional pressures in the same national context, as a result they tend to have isomorphic activities (Baum and Oliver, 1992; Campbell, 2007; Hillman et al., 2009). Research shows that uncertainty in the political environment drives industry leaders to undertake certain CPAs and to stay

competitive, rivals respond by adopting the leaders' practices (Lux et al., 2011).

The use of institutional theory in CPA research has been primarily confined to international business and political economy scholarship, in order to describe how different institutional settings (local laws, culture, state institutions, etc.) affect CPA pattern and corporate performance (Hillman and Wan, 2005; Doh et al., 2012). For instance Rajwani and Liedong (2015) reviewed the CPA literature and found that a relational type of CPA was more effective in developing countries than developed ones. Mahoney (2007) compared the EU and US political systems, and concluded that the successes of CPAs depend not only of the importance of the political issues to the public, but the political values prevalent in the environment. According to her, the EU political system promotes compromises to allow each competing interest group to attain some of its goals on a given issue. In contrast, the U.S. system is a zero-sum game with a winner-take-all approach dominated by business.

A shortcoming of institutional theorists is their disregard of the role of autonomous agency. They assume that a company is the product of institutional forces only; it complies with external pressures without opposing resistance. But the interweaving of external pressures and corporate strategic efforts to counter them is a more realistic assumption. As argued by Thelen (1999), the institutionalisation of anything is a power struggle, marked by conflicts and compromises between actors. Because of this corporate resistance to external pressures in practice, which is not accounted for by institutional theory, it is recommended to combine the theory with others to

better comprehend corporate engagement in political activities (Lawton et al., 2013; Walker and Rea, 2014).

Resource-Dependence Theory:

Pfeffer and Salancik's (1978) RDT posits that companies are not self-sufficient, and must acquire from their external environment the critical resources they need to survive. These resources can be market orientated (e.g. technology) or non-market based, including social resources (e.g. legitimacy) and political resources (e.g. regulations). Companies are particularly dependent on the government to operate. The government can affect the demand for an industry's output directly by being a consumer, and indirectly by being a regulator (Grier et al., 1994). A number of studies show that this dependency on government is a major determinant of CPA: companies whose revenues are primary derived from government sales are more prone to CPA *ceteris paribus* (Hillman et al., 2004), and a highly regulated industry is a strong predictor of a high level of CPAs in that industry (Hillman, 2005; Hillman et al., 2009). From this premise, there is a power-dependence relationship between those who control the supply or access of resources, and those who need those resources (Pfeffer and Salancik, 1978; Oliver, 1991). To minimise dependence and uncertainties of access to the resources they need, companies undertake CPAs to create a political environment that best suit their interests. We might say therefore that their environment is the dynamic outcome of their political activities.

Despite the attractiveness and popularity of RDT among students of power and CPA, its authors admit that the theory suffers from a lack of empirical support for predicting organisational behaviour according to Casciaro and Piskorski (2005). The reason is that RDT fails to address the conditions under which CPAs will be effective. Organisational characteristics also play a role. Companies that face the same external environment, and have the same dependences, may not have the same behaviour because they are structured differently. In practice, the size of a company determines its resources and therefore, the types of CPA it can undertake (Hillman et al., 2004). For instance in the European political system, large companies have the necessary resources to undertake CPAs by themselves at the local, national and supranational levels. Small companies in contrast are resource constrained; they tend to build coalitions to lobby governments at various levels (Lawton et al., 2013). The assumption that organisational characteristics determine the firm's engagement in political advocacy is a central feature of the Resource-Based View (RBV) of the firm.

Resource-Based View:

Strategic management research focuses on how companies develop competences in different markets, using their internal resources and organisational capabilities. Not surprisingly, RBV has received great attention in the management literature as the theory proposes that companies able to develop and deploy resources and capabilities that are rare, valuable, difficult to imitate and substitute by competitors, will achieve a competitive advantage and earn above-average returns (Barney, 1991; Lawton et al., 2013).

Intangible assets such as reputation or skills in issues management can be such resources (Fernandez et al., 2000). Capabilities refer to organisational skills to manage the co-ordination of assets to create valuable resources (Grant, 1991). To simplify writing, the term “resources” will refer hereafter to both capabilities and tangible and intangible resources (Barney, 1991).

CPA studies based on RBV consider public policies as means for companies to achieve a competitive advantage (Baron, 1995; Dahan, 2005; Oliver and Holzinger, 2008), or remove their rivals’ one (McWilliams et al., 2002). Certain organisational characteristics, in particular the size and culture of the firm, increase the likelihood of political activity. Some companies have a culture of “corporate political entrepreneurship”, and constantly look for opportunities through public policies (Yoffie and Bergenstein, 1985). Overall companies follow the corporate nature of being a revenue-seeking entity, and undertake CPAs to acquire or protect by political means the resources that will increase their revenues, or minimise their costs. On the revenue side, CPAs might be used to obtain government contracts and protectionist policies. In terms of costs, CPAs might attempt to create a friendlier business environment with subsidies and tax relief programs, or by eliminating a strong competitor (Vogel, 1996; Hansen and Mitchell, 2000). For instance in 1995, the rivals of Microsoft played a key role in the instigation of the antitrust actions against the company by the Federal Trade Commission in the US, and the European Commission in Europe (Vogel, 1996; Lord, 2000). Notwithstanding its emphasis on the internal resources of the firm, RBV recognises two external resources valuable to the success of the firm in politics. One is political

access, a resource that is only granted to the firm by policy-makers. As put by Frynas et al. (2006, p.325):

“access to a key government minister, experience in dealing with corrupt officials and other political resources, which result in a firm's advantageous treatment by political decision-makers, are frequently in scarce supply and difficult to obtain.”

The second resource is legitimacy. From a strategic viewpoint, certain authors (e.g. Pfeffer, 1981; Ashforth and Gibbs, 1990; Suchman, 1995; Tornikoski and Newbert, 2007; Brammer et al., 2012) argue that organisational legitimacy is similar to reputation; it is extracted competitively from the external environment by manipulating the perception of stakeholders. According to these scholars, legitimacy is acquired by conforming passively to institutional norms, and by actively shaping these institutional norms at the same time. The more legitimate the firm appears, the more credibility (goodwill) it gets from its environment. Legitimacy acts like a special resource that underpins all the activities and performance of the firm (Scott, 2001b). From this perspective, corporate legitimacy meets the criteria of RBV as an operationally valuable resource. This approach to legitimacy also overlaps with RDT as legitimacy is viewed as a critical resource needed by the firm to exist. In that sense, legitimacy functions like a strategic meta-resource that permits or not other resources to provide a competitive advantage to the firm (Zimmerman and Zeitz, 2002; Queiroz et al., 2007).

Despite these considerations for political access and legitimacy, the limitation to RBV is its narrow focus on the internal environment of the firm to develop

valuable resources. Oliver (1997) has successfully argued that it is the external environment of the firm (barriers to entry, substitution of resources by new technology, legal system, etc.) that dictates which internal resources have to be developed to survive. It is also the external environment that determines the value of resources that can be sources of competitive advantage. This aspect of how the market works in practice is not reflected by RBV. For this reason, RBV is limited on its own as an explanatory framework for CPA engagement.

In summary, from an institutional perspective, companies undertake CPAs to mitigate threats to their legitimacy by socio-political institutions, and to mimic their rivals. From a RBV perspective, companies are politically active in order to gain competitive advantage and maintain or improve their revenues. From the viewpoint of RDT, companies attempt to shape their environment by reducing uncertainties (e.g. costs of regulations, extension of government contract). The three theoretical frameworks share some common underpinnings. Both institutional theory and RDT recognise that organisational choices and performance are constrained by external pressures, but they diverge on the explanation for CPA engagement. Institutional theory proposes that companies are passive actors that follow the behaviour of their peers or are coerced into CPA. RDT stresses the role of agency and attempts by corporate actors to control the regulative, normative and discursive elements of their environment. RDT and RBV also share some features. They both acknowledge that the types of CPA undertaken by a company are subject to corporate resources, and that corporate performance is affected by external

pressures. They both view the firm as an active actor that attempts to shape its environment; they stress the importance of having valuable resources to reduce external risks; and they both consider political access as a critical resource. Although RDT and RBV recognise the importance of resources, they diverge on their origin. RDT is externally focused while RBV is internally orientated. Considering the characteristics of these three theoretical frameworks, RDT appears to fall between the institutional theory and RBV. Table 4 presents a summary of the theoretical perspectives that explain the motives for companies to engage in political activities:

Perspectives	Institutional Theory	RDT	RBV
Premise	To maintain legitimacy and thus survive, companies adopt practices that conform to the prevailing norms and values about what constitutes appropriate behaviour in their external environment.	Companies are constrained by their dependence on resources controlled by external actors. They seek to reduce their dependence by means of political activities.	Public policy is a means to acquire resources that might give to the firm a competitive advantage, depending the internal capabilities of the firm to bundle and leverages those resources.
Insight	Resources to survive are acquired outside the firm; isomorphism is likely to be found among firms that belong to the same industry in the same country.	Resources to survive are acquired outside the firm.	Resources to survive and compete are created within the firm.

Table 4: Explanatory Framework of Why Companies Engage in CPAs

Due to the shortcoming of each of these frameworks on their own, scholars recommended to integrate them to create a framework that fully grasps the political behaviour of the firm in reality (Greening and Gray, 1994; Oliver, 1997; Lux et al., 2011; Lawton et al., 2013). Medcof's (2001) recommendation to combine RDT and RBV produces a framework ("RDT+RBV") that not only explains the 'why' for political activities (and therefore as explained in Section 2.4.2 the reasons for companies to seek CPP), but also the 'how' (i.e. the mechanisms and processes). Since institutional settings and context matter in corporate decisions and actions, the institutional theory underpins the "RDT+RBV" framework. The institutional theory will not be explicitly mentioned as I discuss "RDT+RBV", however the reader should remember this crucial information.

2.4.4 Mechanisms of CPP (Outcomes of CPA)

The "RDT + RBV" framework proposes that corporate efforts to influence policy-making are motivated by the desires to control external uncertainties, and create an environment favourable to revenue-seeking opportunities. According to Medcof (2001), the *modus operandi* of this framework is as follows: RBV stipulates that a firm's economic success is dependent on the value placed by external actors on its internal resources that need those resources, for instance proprietary technology and technical know-how. If the firm's resources are unique and/or needed, i.e. no distinct alternative exists, then from a RDT perspective external actors are dependent on the firm's resources. These actors will exchange their own resources (e.g. money,

political access) for the firm's ones. For instance, as discussed in Section 2.4.2, within an institutional setting where the ideology of neoliberal capitalism prevails, a politician can be structurally dependent on a company that is the main employer in her or his constituency. This politician will have an inclination towards accommodating local regulations to the company's requests, in order to maintain its presence and prevent unemployment in the local community.

The "exchange" of critical resources between actors that "RDT+RBV" proposes as the mode of operation of CPAs, is best captured by the concept of the political marketplace. To clarify, at the origin of RDT is Emerson's (1962) writings on the relation between power and dependency, based on a social exchange between actors. This foundation of RDT on the notion of exchange, has led a number of scholars to claim that the method of participation of the firm in the political arena is through economic exchange with policy-makers (Shaffer, 1995; Mitchell et al. 1997; Hillman and Hitt, 1999; Bonardi et al., 2006). Companies "must give something valued by public officials in exchange for getting favourable policies" (Getz, 2002, p. 318). This view of the political environment of the firm conceives it as a marketplace where policy-buyers (companies, trade unions, civil society groups...) trade with policy-suppliers (legislators and regulators).

The political market concept, which finds its origin in economic science, objects to the common view that public policies are designed for the public interest (Stigler, 1971). Politicians are viewed self-interested actors who exchange policy favours for resources from interest groups that support their own political objectives. According to RDT+RBV, the policy-suppliers' needs

determine the types of corporate resources that are valuable in the political market. In general the buyers need political favours, and the suppliers need three “political goods”, namely (i) information to devise public policies, (ii) votes from supporting interest groups to stay in office (coalition building), and (iii) financial contributions to fund their election campaign (Hillman and Hitt, 1999). The political market and political goods traded on it serve as mechanisms to obtain public policies that advance the interest of the firm, in other words to obtain CPP. The three political goods desired by politicians can be provided by the outcomes of the three types of CPA presented in Table 2. To clarify, there is a difference between the outcomes and the impacts of an activity (Ebrahim and Rangan, 2010). The outcomes of an activity are what have been produced by that activity, and the impacts are the observed effects and changes that occur as a result of these outcomes. Within the RDT+RBV framework, the outcomes of CPAs are the three political goods, and the impacts of CPAs are the repercussion on CPP and corporate performance of these political goods. These impacts are not the focus of this study, but will be discussed to some extent the next section.

Central to the political market concept is the resource “political access”. Policy-sellers have a limited attention span and as a result, policy-buyers compete against each other for the limited access to policy-sellers (Hart, 2004). This signifies that the successful exercise of CPP is a two-step process: firstly, the firm must secure (and maintain) access to policy-makers. Secondly, the firm must shape the beliefs of policy-makers on the issue at hand, to have the firm’s opinion reflected in their public decisions. However there is a difference between obtaining a meeting with policy-makers, or

having them read your position paper (access), and then having your opinion taken into account in their decision. A CPA may provide access but having access does not guarantee successful influence on public policies. Therefore access is not equal to CPP. It is a *sine qua non* but insufficient precondition for CPP argue power pluralists (Dahl, 1961; Wilson, 1981). As a limited resource, access is critical to obtain as unequal political access usually translates into unequal CPP between competing firms (Hillman et al., 2004).

To resume the *modus operandi* of the RDT+RBV framework, a company undertakes CPAs to lessen external threats and at the same time, maintain and/or improve its revenues. The process by which the company achieves these two objectives is by first, developing valuable internal resources for government officials. Then CPAs draw on these internal resources to provide policy-makers with political goods they need or desire. In exchange, policy-makers grant the company access, including access to the policy-making process. Having acquired this *sine qua non* resource, the company is then able to advance its interests by seeking to increase its revenues (e.g. sales to the government), and/or by seeking a reduction in its operating costs (i.e. more friendly regulations), although there is no guarantee it will succeed in these attempts. Figure 1 conceptualises the link between CPA and CPP:

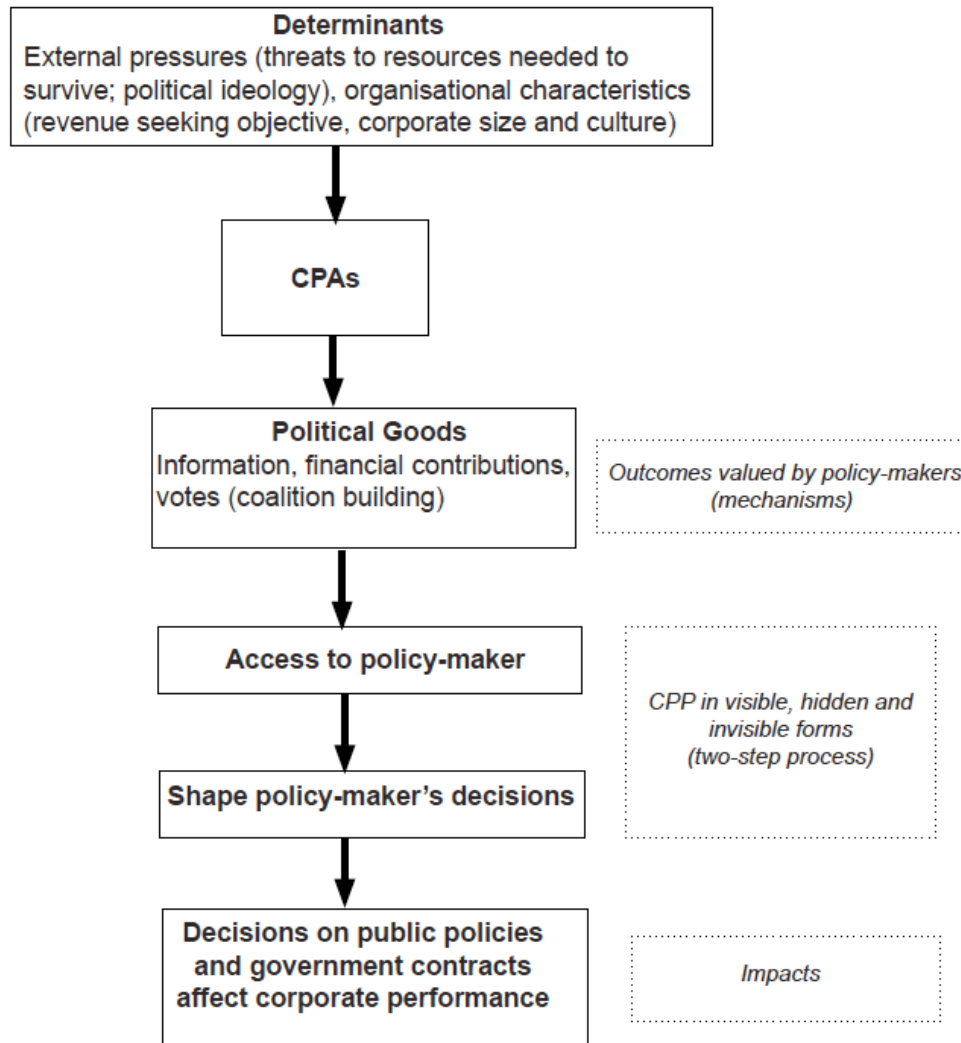


Figure 1: CPA-CPP Model

Figure 1 illustrates the determinants, mechanisms and processes of the CPA-CPP relationship. CPP is conceptualised as a two-step process (the definition of CPP in Section 2.2 emphasises the successful completion of the process). For the sake of clarity, Figure 1 represents the three forms of CPP (visible, hidden, invisible) as active throughout the process because, as discussed in Section 2.4.2, the three intertwine and are difficult to separate. Moreover, they can be active prior to the visible participation of the firm in the public policy-

making process (Hathaway, 2013a). For these reasons, to avoid confusion and misunderstanding, the three forms of CPP will not be analysed separately but together as shown in Figure 1.

With regards to the Framework of CPP in Table 3, it follows that there may be corporate activities other than political ones that are instruments of CPP. To identify those other corporate activities, researchers need to look for the ones able to provide political goods needed, or desired, by policy-makers. In the CPA literature, we find researchers that have used variants of the RDT+RBV framework to explain how political activities contribute to CPP by providing the three political goods, namely information, votes and financial contributions (Hillman and Hitt, 1999; Bonardi et al., 2006). In a way, these scholars have shed light on the research question of this thesis ('How does CSR contribute to CPP?') from a CPA perspective. My aim in this thesis is to employ RDT+RBV to analyse how CSR activities – which are not considered to be political activities in the CSR and CPA mainstream literature – may also contribute to CPP. Before moving to this central part of the study (Section 2.5), following the model in Figure 1, attention must be brought to the effects of the outcomes of CPA. I turn next to this point.

2.4.5 Impacts of CPA

A predominant view is that political campaign donations, and personal gifts, influence politicians and therefore public policies (Kemper and Lutterbeck, 1996; Etzioni, 2014). But this belief is a factoid as empirical evidence is still unclear. There is no consensus about the impacts of CPAs on public policies (Vogel, 1989, 1996; Lawton et al., 2013), or on the contribution of CPAs to the

performance of the firm (Hadani and Schuler, 2013; Rajwani and Liedong, 2015). It is unlikely that a definitive result to these two impacts of CPA be found in the near future due to the different methodologies, and measurement variables of CPA and corporate performance available. According to Lux et al. (2011), the main causes of methodological errors in CPA research are the difficulties to observe CPAs in action and trace their effects. The business-government relation is sensitive and secretive; many corporate political activities take place behind closed doors. The few observable CPAs are testimonies before a government body, and the disclosure of CPA expenditure in the US (Shaffer, 1995; Lawton et al., 2013). This explains why political access and CPA expenditure are usually used as proxies for CPP, although neither guarantees a particular impact on the policy-making process (e.g. Sims, 2003). It has also been noted that because CPA expenditure reporting is a legal requirement in the US, the availability of these secondary data make the CPA literature dominated by the US context (Rasche, 2015). The result is that most empirical studies of CPA are based on statistical analyses of cross-sectional data from American firms (Skippari, 2005). However Barron (2010) and Lux et al. (2011) note that CPAs are contextual. The tendency by researchers to examine large datasets from Fortune 500 companies in CPA studies fails to account for context, and this may contribute to the ambiguous empirical evidence in the literature.

Finally, due to the competitive landscape of the political market (i.e. the political advocacy from various policy-buyers to which policy-makers are subjected, and their own political preferences), it is difficult for a researcher, and even corporate managers, to know with certainty that a firm's political

activity is responsible for a particular policy outcome (Dahan et al., 2013). All these factors explain why there is no much knowledge on how CPA affects public policies or corporate performance, and why scholars disagree on the effects of CPAs. Research on CPA, and by analogy CPP, requires collection of primary data and contextualisation to improve current understanding of CPA. Nevertheless, researchers will still face the epistemological issues of data selection and interpretation: how to study a discreet activity where the honesty of participants, and thus the validity of data, could always be questioned? A solution would be doing a form of ethnographic research where the researcher would have the trust of participants. The trust would encourage participants to engage in “truthful conversations” with the researcher. This study will make an attempt to implement this solution.

From this review of the literature, it emerges that the provision of political goods is the mechanism by which a corporate activity can become a medium of political power. CPAs provide three types of political goods to policy-makers in exchange of political access; the final effects on public policies and corporate performance are unknown. In other words, it is unclear if CPAs contribute to CPP. My proposition is that CSR activities can provide political goods, and the next sections of the chapter will develop this proposition. The parallels between the CSR and CPA literature will be examined by reviewing the determinants, outcomes and impacts of CSR activities from a political perspective.

2.5 The Political Dimension of CSR

2.5.1 Defining CSR

Questions raised in the debate on CSR such as 'what is the role of business in society?' (Handy, 2002), 'what does a company owe to society?' (Carroll, 1999), or still 'how should a company use its power?' (Weiner, 1964; Bernstein, 2000; Coy, 2003; Bendell and Bendell, 2007) are all related to ethics and civic duty. They can be traced back to political philosophers like Plato who wrote on virtue, moral principles, and the common good (Vogel, 1991; Solomon, 1992; Smith, 1999b). History teaches us that the perception of business and its responsibilities have continually evolved with social norms and values. One recurring issue encountered in the field has been the difficulty to operationalise the concept, due to the lack of an agreed definition. Already over 40 years ago, Votaw (1972) warned that CSR was a concept open to conflicting definitions because each of us views business' responsibilities – and thus defines CSR – according to his or her cultural background, field of expertise, and interests. His acute observation is still valid today. Over 40 definitions have been found in the literature, which range from highly theoretical ones by academics to practical ones by trade associations, inter-governmental and business organisations (Kakabadse et al., 2005; Dahlsrud, 2008). Nevertheless, two features of CSR are commonly found: firstly, CSR is seen as a self-regulated form of corporate governance. It is understood to be a construct with a voluntary and non-binding connotation (Shamir, 2005; Ungericht and Hirt, 2010). Being self-regulated implies that CSR is a regulation-dependent construct; it is contingent upon government

policies that set the threshold of responsibility for all businesses (Litowitz, 2005). Secondly, CSR activities are for the benefits of all the firm's stakeholders, including shareholders. This implies that CSR is multi-dimensional. In his famous pyramid of CSR, Carroll (1991) depicted CSR as the sum of four dimensions: economic responsibility (wealth creation) as the foundation, followed by the legal, ethical and philanthropic/discretionary responsibilities. Building on these features and Carroll's (1991) description, CSR is defined in this study as *a firm's efforts to further societal goals and its own by managing market and non-market issues*.

Some implications of the definition are the difficulties associated with the multi-dimensional nature, and the regulation-dependent aspect of CSR. We cannot have a general taxonomy of CSR activities because legal requirements vary considerably between countries and industries. In addition, CSR is a dynamic construct because social norms and laws change across time and space. Distinguishing the activities that are legally mandatory and discretionary would require contextualisation as what might count as a social responsibility today, might not be in the future (Votaw, 1972; Griffin, 2000). A solution would be to cluster CSR activities into the economic, environmental, social and governance dimensions of the Global Reporting Initiative's (GRI) reporting framework, a popular international standard used by businesses to report on their CSR performance. Olsen and Gitsham (2005) made an attempt in that direction, but by their own admission their CSR catalogue is biased toward the social dimension. Given that it is an impossible task to review all existing CSR activities, some researchers recommend restricting CSR research to a single industry in a single country (Wokutch and Spencer, 1987;

Griffin and Mahon, 1997). Companies that belong to the same industry in the same country evolve in the same environment and face the same issues. We should therefore expect isomorphism in their CSR practices as institutional theorists posit (e.g. Campbell, 2007). Only then a taxonomy of CSR activities can be established for that specific industry. This recommendation will be followed in this thesis. The taxonomy of CSR in the industry selected is discussed in Chapters 3 and 4.

The implications of the CSR definition inform my approach to the study of the subject. In what follows, I review the main strands of research in the CSR literature to present an overview of the field, and to position the study.

2.5.2 CSR Perspectives

Windsor (2006) identified three strands of research on CSR, namely economic, ethical and political. The “Economic CSR” proponents associate with the shareholder primacy argument as they claim that the firm is a fictional economic actor only, an instrument of wealth creation for shareholders . Any social goal pursued should be acceptable only if it maximises shareholder value, and if it is pursued without moral considerations (Jensen, 2002). A recent development in this research stream is the emphasis on the instrumentalisation of CSR, as seen in the prevalence of research on the “business case for CSR” (Vallentin and Murillo, 2012). A “business case” is a pitch for investment in a project or initiative that offers value to the investor. Thus the business case for CSR is the belief that CSR activities and the creation of shareholder value are not incompatible. Companies can do well

financially by attending to the needs of society at the same time (Porter and Kramer, 2006). This is in line with the notion of “enlightened shareholder value” promoted by UK corporate law. Research on the “business case for CSR” – which consists in empirically testing if a positive correlation exists between CSR activities and corporate financial performance – has been called the “holy grail of CSR” (Devinney, 2009). The results of the research have been so far inconclusive (Vogel, 2005).

The second perspective in CSR research is “Ethical CSR”, which draws on a range of ethical theories, including the principle of Kantian ethics to not violate the legitimate rights of others. Ethical CSR theorists view the firm as a social actor and trustee of communities who is accountable to the variety of actors that have a stake in its activities (e.g. shareholders, employees, clients, suppliers, government agencies, the environment). They therefore advocate corporate altruism and self-restraint (Evan and Freeman, 1988; Freeman, 2002).

The last strand is “Political CSR”, where firm is seen as a political actor (Néron, 2010). For Political CSR theorists (Matten and Crane, 2005; Scherer and Palazzo, 2011), Political CSR is the movement of the firm into the political sphere in order to respond to environmental and social challenges through the provision of global regulations and public goods. CSR activities provide public goods that substitute to government interventions by correcting market failures. This articulation of CSR activities as political acts open possibilities to bridge the fields of CSR and CPA. Political CSR draws on the political theory of citizenship, and conceives of the firm as a legal citizen with the same rights and responsibilities towards the community as any other member. For this

reason Political CSR is also called “Extended view of Corporate Citizenship” (Matten and Crane, 2005). This perspective is consistent with the legal person view of the firm adopted for this study. Corporate citizens are legal citizens with the right to carry out revenue-making activities in exchange for fulfilling certain social and political obligations (Davis, 1973; Donaldson and Dunfee, 1994). Abiding by this “social contract” ensures access to the rights associated with citizenship, including participation in the public policy-making process. However the non-fulfilment of obligations creates conflicts and subsequently, the company might lose its legitimacy, power, revenues and eventually its existence as key stakeholders cancels the social contract. A recent example is the 2011 phone hacking scandal in the UK. It resulted in the closure of the 168-year-old News of the World tabloid due to a fall in legitimacy and revenues (Kellner, 2012).

Given their divergent views on the role of the firm (economic actor, social actor, political actor), it is not surprising that these three perspectives also develop different propositions regarding what may constitute a legitimate exercise of CPP. Economic CSR views the exercise of corporate power within the respect of existing laws only. Any other considerations would be a misuse of it. For Ethical CSR, the use of power is an altruistic obligation to alleviate issues that affect society, starting with the ones that result from corporate activities. Finally Political CSR considers the exercise of power only within the boundaries of citizenship rights and responsibilities. Considering the aim of this thesis, the study of CSR will be located in the corpus of Political CSR. To

avoid confusions, the term “Extended Corporate Citizenship” will be used to refer to.

2.5.3 Extended Corporate Citizenship

The term “corporate citizenship” was originally coined by US practitioners in the 1980s, who view it in a more positive light than CSR (Matten et al., 2003). The term gained in popularity from 2002 onwards, when over 40 CEOs of the largest multinational companies endorsed the report *Global Corporate Citizenship: The Leadership Challenge for CEOs and Boards* at the World Economic Forum (Matten and Crane, 2005). These practitioners defined corporate citizenship as “the contribution a company makes in society through its core business activities, its social investment and philanthropy programmes, and its engagement in public policy.” (World Economic Forum, 2003, p.17). The document signalled an institutionalisation of the term corporate citizenship, and the report was subsequently promoted by inter-governmental organisations like the United Nations. But given the lack of consensus on a definition of CSR and its content, Matten and Crane (2005) showed that corporate citizenship has often been used as a synonym for CSR itself, or for corporate philanthropy, the fourth dimension in Carroll’s (1991) pyramid of CSR. They developed an “Extended view of Corporate Citizenship” (ECC), which has come to be classified as a normative political theory of CSR (Garriga and Melé, 2004). The ECC theory draws on traditional liberal values and the Aristotelian principles that individuals/people are natural citizens of a society with both duties (responsibilities) and rights (privileges). Consequently, ECC theorists such as Matten and Crane (2005) and Moon et al. (2006) argue

that the company is an artificial but legal citizen, whose primary responsibility is to guarantee the provision of natural citizens' rights when governments fail to do so. The firm is a political actor with the duty to enable people to exercise their political rights to vote, the duty to provide social rights such as education and healthcare, or still the protection of civil rights like freedom of speech.

ECC is a normative theory built on the assumption that globalisation has undermined the capacity of governments to regulate their national economy, the global economy, and to provide public goods. Governments would be today less economically and politically powerful than multinational companies, and could no longer pursue public policies that diverge from business' interest (Newell, 2000; Blowfield, 2005; Vogel, 2009). For these reasons, ECC stipulates the existence of a social contract between corporate citizens and society. Companies ought to accept their political responsibility to tackle the negative externalities of their activities such as human rights degradation, environmental damages, and the discordant legal environment of the global economy (Scherer and Palazzo, 2007; Crane et al., 2008; Detomasi, 2008). If companies refuse to leverage their political power when they have the capacity to do so, they will lose their legitimacy on which their existence depend (Davis, 1973). The moral philosophy of ECC is "give something back when you can" (Wood and Logsdon, 2001).

As a political actor, ECC presents the firm a citizen with responsibilities in the economic, legal, social and political life of the community. To some extent, the responsibilities in those four dimensions overlap those described by Carroll (1991). For Hamilton and Hoch (1997) and Bendell and Kearins (2005),

political responsibility is a dimension of the pyramid of CSR because the undertaking of political activities for the public interest is a political obligation for the firm. According to these scholars, CPA is a legitimate socially responsible activity. As per the moral philosophy of ECC, the firm must participate to policy-making, help politicians design the right policies for the public, and contribute to the implementation of public policies when they can. Figure 2 represents an adaptation of the pyramid of CSR from an ECC perspective. The “political responsibilities” dimension comes after “ethical responsibilities”, since the acknowledgement and orientation of the former, depend on how the firm reconciles its own ethics with the norms and values of the community where it operates.



Figure 2: Extended Pyramid of CSR (adapted from Carroll, 1991)

ECC proponents view the company as the political solution to societal ills and stress the importance to promote corporate voluntarism and self-interest as incentives for CSR engagement (Scherer and Palazzo, 2011). In that sense, the proponents of this political theory of CSR recommend light government regulations and more self-regulated CSR initiatives such as the UN Global Compact, the Global Reporting Initiative and the Fairtrade certification scheme. This stance on regulations has led to a number of criticisms of ECC, the main one being the lack of corporate accountability it promotes (van Oosterhout, 2008; Whelan, 2012). After the scandals of the last decade (e.g. Enron, Lehman Brothers), many believe that if corporate citizens are allowed to self- or co-regulate their own rules of conduct, they will endanger society (Barley, 2007; Banerjee, 2007). This claim is given credence by Bakan's (2005) depiction of the firm as a person, but a psychopath without virtues and ethics who would self-destruct if left unregulated.

Overall, the ECC theory holds two premises that provide a robust conceptual basis to comprehend the political character of CSR, and its association with CPP. The first premise is that the company is by nature a political actor (Néron, 2010). One argument that supports this premise concerns the day-to-day decisions a company takes in a private capacity to manage its markets and non-market activities. These decisions have wide social and political consequences as in the short and long terms, they affect the structures of society by changing work pattern, industries' structures, resources allocation, and social relations between natural citizens (Farnsworth and Holden, 2006; Scherer and Palazzo, 2011). A second argument is the firm's structural power,

i.e. the second mechanism of hidden CPP. The fear of capital flight constrains government officials to consult business before enacting public policies (Lindblom, 1977). A third and final argument holds to the premises of democracy: companies have the political right and duty to participate in policy-making as corporate citizens or an interest group affected by public policies. Business participation helps balance the opinions of interest groups and ensure good policies for all citizens (Dahl, 1961; Moon et al., 2006). Given these three reasons, the firm can be seen as a private political actor at all levels, whether locally, regionally, nationally or internationally.

The second premise of ECC is that CSR activities are a form of political activities (Matten and Crane, 2005; Scherer and Palazzo, 2007, 2011). CSR activities blur the boundaries between the economic, political and civil spheres of society by erasing the line between private business activities and public governmental services (Banerjee, 2007; Makinen and Kourula, 2012). The provision of global regulations or standards (e.g. the UN Global Compact), and the provision of public goods (e.g. education and healthcare in developing countries; sponsorship of public art), are two political activities traditionally associated with the state. Yet their design and delivery are increasingly arranged by private companies through CSR initiatives. In consequence, CSR activities contribute to the politicisation of the firm in society and reinforce the position of the firm as a political actor. This theoretical argument is supported by recent evidence of lobbyists who admit using CSR activities “to influence political decision making and the stakeholders’ actions and reactions relevant to a company” (Köppl, 2012, p.178). While for practitioners CPA and CSR

activities are connected, the paucity of academic studies on this connection seems to stem from the fact that it runs counter to the prevalent discourse on these two subjects: CSR activities are viewed in a positive light, while CPAs are usually associated with negative corporate attributes (e.g. contribution to political 'sleaze') (Richter, 2011). Because of this assumption, scholars assume that CSR and CPA have no relations. Hillman et al. (2004) denounced this gap between reality and academic research, and invited scholars to develop more realistic frameworks. ECC attempts to fill this gap as it claims that CSR activities are a form of political activities.

This review of ECC has provided a better knowledge of CSR and shed lights on its affiliation with CPA. Following my proposition that the model in Figure 1 can be applied to CSR, I review in the next sections the determinants, outcomes and impact of CSR from a political perspective.

2.5.4 Determinants of CSR

Two main theoretical perspectives, institutional theory and RBV, have been employed in the investigation of the causes of CSR engagement. Institutional theory has been primarily used to describe the institutional conditions that forced companies to act in socially responsible ways (Moon, 2004; Campbell, 2006; Bondy, 2008), and to explain the difference in CSR practices found between industries and between countries. For instance Midttun et al. (2006), Matten and Moon (2008) and Gjølborg (2009, 2011) analysed CSR through the lens of political economy. They share the same conclusion that the discourse on CSR is more prominent in countries with a neoliberal economy

where the welfare state is weak, such as the U.S. and the UK. What constitutes corporate citizenship reflects the areas in which regulations and the provision of public goods by national governments have been historically limited due to economic and cultural factors. In the U.S., CSR tends to take the form of philanthropic donations to charities, whereas in Europe it is more directed towards labour and environmental standards (Maignan and Ralston, 2002). These studies suggest that CSR activities are essentially a response to institutional pressures, and that variations in CSR practices observed across countries are due to differences in national culture, political ideologies and other elements of the institutional settings that are influenced by socio-political institutions. Their conclusions are supported by historical surveys of CSR, which find that changes in corporate practices have often been the result of religious, social or political pressures, against the lack of provision of what is expected to be a public good (Eberstadt, 1973; Vogel, 1991; Micklethwait and Wooldridge, 2005; Shamir, 2005; Steets and Weihe, 2006; Carroll et al., 2012). A recent survey of the literature on the empirical determinants of CSR by Aguinis and Glavas (2012) concludes that the need for legitimacy has always been the foremost predictor of CSR engagement. Moral righteousness, and the desire to improve corporate performance, are secondary drivers.

There is evidence between pressures from governmental institutions (regulatory threats) and CSR provision (Moon, 2004). There is also evidence in the reverse direction as some studies found CSR activities, particularly corporate philanthropy, able to pre-empt or lessen regulatory threats (Sims, 2003; Fooks et al., 2011). They forestall mandatory regulations that might

have increased operating costs. This relationship between regulatory threats and CSR activities in the two directions finds some explanation in the model of Maxwell et al. (2000), a variant of the RDT+RBV framework. Their model proposes the existence of a “tit for tat” game between business and government. In exchange for CSR activities, companies are rewarded with more regulatory leniency and less monitoring. Companies play the game if undertaking CSR activities is more profitable than the costs of CPAs to attempt to influence the political process (with no guarantee of success), plus the estimated costs of the mandatory regulation. The “tit for tat” game is also found in Kinderman’s (2012) historical analysis of CSR in the UK. He found that “CSR deals” were negotiated between the Government and business. In exchange for more “voluntary” CSR programmes, companies were awarded less stringent public policies. Neiheisel’s (1994) findings also support the idea of a political market posited by Maxwell et al.’s (2000) model. In one of the first empirical studies of the political determinants of corporate philanthropy, Neiheisel (1994) noted that when strategic philanthropy delivered goods and services that met politicians’ expectations, it had the effect to appease politicians’ hostility and curb their demands on the business community. In exchange for their philanthropic activities, politicians rewarded companies with less mandatory regulations or with favourable regulations.

Concerning the RBV approach to the study of CSR determinants, although empirical evidence points to external pressures as determinants of CSR engagement, Aguinis and Glavas (2012) note a number of organisational characteristics that also act as determinants. One is corporate size, which

overlaps external determinants because the larger and more visible a company, the more scrutiny and external pressures it receives. Stakeholders come to believe that the firm has the slack resources to engage in CSR (Buchholtz et al., 1999; Seifert et al., 2004). It is been noted that large companies, to mitigate risks of conflicts and reputational damage, are more pro-active in CSR than smaller enterprises that are less visible in the market (Kakabadse et al., 2005; King and McDonnel, 2012).

A second organisational characteristic is the culture of the firm. Its history and values influence employees' decisions, who are aware of the firm's ethics and what practices are acceptable or not (Barney, 1986; Marcus and Anderson, 2006). The culture of a company is influenced by its owners. Long-term shareholders, such as some institutional investors and senior management, tend to make a long-term commitment in the performance of a company. They are therefore more attentive to stakeholders' concerns. Family firms in particular place great importance on maintaining a positive reputation with all stakeholders. For this reason, they usually have a higher CSR performance than non-family firms (Dyer and Whetten, 2006; Berrone et al., 2010).

The third and final organisational characteristic is the belief by the firm in the business case for CSR (Burchi and Tarabella, 2013). The company believes that CSR can be a source of competitive advantage because it improves corporate reputation and legitimacy (e.g. risk reduction of lawsuits), and reduce costs (e.g. waste reduction, employee car-sharing) (Bansal and Roth, 2000; Kurucz et al., 2008). Yet despite the popularity of the business case, the arguments in its favour (reputation, cost reduction, legitimacy) do not fully withstand scrutiny. Firstly, many CSR activities are visible and imitable. When

companies operating in the same industry gradually engage in CSR due to regulative and mimetic constraints, any competitive advantage that a firm may have had initially gradually disappear, as competition reduces profits and other slack resources to invest in CSR (Chymis, 2007). The extra investment and payback period required to differentiate further from rivals through CSR is such that most firms are unwilling to do the investment (Banerjee, 2007). As Vogel (2009) found out:

“CSR has rarely proven to be a source of sustainable competitive advantage: it is relatively easy for any firm to identify its business mission or brand with a CSR-linked cause or issue or to subscribe to a civil regulation. This means that as soon as one firm does so, its competitors are likely to immediately do so as well. The result is a kind of CSR “arms-race” (p.26).

The second argument that undermines the business case rationale is that the claim that the market punishes companies that are socially irresponsible, pollute, or are non-ethical, is empirically elusive (Vogel, 2005). Evidence fails to demonstrate the existence of a market for virtue. All companies would be seen to act with more concern for the environment if this was the case. Research shows that investors and consumers like the idea of CSR, but are unwilling to pay for it (Bhattacharya and Sen, 2004; Devinney et al., 2010).

The last business case’s argument, legitimacy, is driven by external pressures. An external pressure is not an organisational factor. In summary, the current arguments in support of the business case that are all based on economic grounds are weak. Rather than justify the undertaking of CSR with economic

arguments that presume a direct relation between CSR and corporate performance, McWilliams et al. (2006) and Zhao (2012) recommend using arguments with political grounding that presume an indirect relation. According to these scholars, CSR activities are more effective to obtain a competitive advantage when instrumentalised for political purposes. Like CPAs, CSR activities could help companies obtain government regulations that advance their interests by (i) obtaining a competitive advantage such as trade barriers for protectionism against foreign products (Baron, 1995; Dahan, 2005), and/or (ii) removing a rival's competitive advantage (McWilliams et al., 2002). Indeed, CSR scholars have identified two types of companies that build their business cases with these two political arguments by seeking stricter CSR-related regulations. The first type of company is the one that engaged in CSR activities because it had been coerced to do so by external pressures (Bendell and Kearins, 2005). For instance, companies with high profile brands like Nike were targeted by activists and realised that as long as some CSR activities remained voluntary (e.g. inspection of suppliers in developing countries), they might lose out to competitors that were not subject to activists' pressure. To eliminate their competitive disadvantage and level the playing field, these companies advocated certain mandatory regulations for their whole industry (Albareda et al., 2008; Vogel, 2009).

The second type of company that seeks stricter social or environmental regulations, is the one that believes to be already above any foreseeable future regulations (Gjølberg, 2011). For this company, levelling the playing field would raise rivals' costs that are laggards in CSR, while giving it an early mover advantage. For instance, the British Factory Act of 1833 that restricted

child labour was supported and lobbied for by steam-mill companies. Water-mill companies opposed the policy. It was not that steam-mill operators were more socially responsible, but the policy gave them a competitive advantage due to their technology requiring less man-hours than water-mill companies did (Marvel, 1977). After the law was enacted, steam-mill companies faced less competition due to the regulatory barriers they had helped create.

In summary, the CSR literature finds instrumental motives to be the fundamental drivers of engagement in CSR activities, either to reduce external pressures (e.g. legitimacy threats) or to improve financial performance. Organisational characteristics, i.e. corporate size, culture, ownership structure, and the revenue-seeking nature of the firm) also play a role. A variant of the political market found in the CPA literature is also found in the CSR literature. The conclusions of this review of the CSR determinants of the firm are similar to the ones concerning the determinants of CPA in Section 2.4.3. Whether the firm undertake CPAs or CSR activities, its objective is to obtain an external environment that is favourable to its revenue-making operations. To succeed, the firm negotiate with policy-makers and engages in a type of trade with them.

Following the model in Figure 1, I discuss next the political outcomes of CSR. As explained in Section 2.4.4, these correspond to the political goods of CSR, in other words they are the CSR-based mechanisms of CPP.

2.5.5 Outcomes of CSR

Rare are the empirical studies on the relation between CSR and CPP. The few existing studies (Neiheisel, 1994; Sims, 2003; Fooks et al., 2011; Richter, 2011; Wang and Qian, 2011; Werner, 2014) used charitable giving and political access as proxies of CSR and CPP respectively. They found a relation between corporate philanthropy and political access; however attempts to describe the mechanisms of this relation have to be found in conceptual studies. Theoretical contributions are from Rehbein and Schuler (2013) and Hond et al. (2014), who described how some political outcomes of CSR activities could be substitutes, or complements, to the outcomes of CPA on the political marketplace. With regards to the model in Figure 1, the political outcomes of CSR have to be considered to be political goods valued by policy-buyers. These political outcomes/goods from CSR activities include public image, technical expertise, social capital, and indebtedness. They are discussed in turn.

1. Public Image:

The public image of the firm, which represents its legitimacy, is a hybrid political good and meta-resource, as it ensures the successful deployment of the other political goods (Hillman and Hitt, 1999). A positive public image signals trust and credibility; it acts like a badge of legitimacy to stakeholders (Hadani and Coombes, 2012). Without legitimacy, there cannot be political access. Politicians, for their own public image, like being associated with high profile actors (e.g. artist musicians, leading businesses), and causes of interests to their constituents (e.g. cancer research, climate change). For this

reason, companies appreciated by the public are deemed less risky by politicians to collaborate with (Lindblom, 1977; Dahan, 2005; Richter, 2011).

Thus a positive public image is a necessity for politically active companies.

A CSR activity found to improve the public image of the firm is the practice of self-regulation (Sims, 2003; Lyon and Maxwell, 2008). Self-regulation is defined as:

The voluntary adoption of guidelines, codes of conduct and standards set by companies themselves or a third party, which correspond, or are above and beyond the law's requirements, and to which companies pledge to abide by (Tyrrell, 2006, p.44).

Regulators are aware that companies that publicise their CSR engagement and win awards for their social activities (e.g. “best company to work for”; “sustainable company of the year”, etc.), may find themselves victims of self-entrapment (Risse, 1999). A public engagement raises the expectations of stakeholders, and the company has no choice to self-regulate its conduct to maintain its public image. If it does not, it loses its credibility and legitimacy. To summarise, having a public image of good corporate citizen is a double-edged sword. The image gives a goodwill that facilitates the participation of the firm in policy-making, helps persuade policy-makers to support the arguments of the firm on a public issue, and makes the firm subject to less scrutiny by regulatory agencies (Lyon and Maxwell, 2008). However it makes the company also more accountable. Any failure to uphold the standards the firm publicly pledged to respect threatens its existence (e.g. the 2011 phone hacking scandal by News of the World).

2. Technical Expertise:

Lindblom (1977) called technical expertise the “privileged position of business” (p.172). In the course of their activities, companies collect information and develop proprietary knowledge that is critical for policy-makers to access in order to design public policies. As a result, when a government needs information and advice on a subject related to the economy, it contacts business first among all interest groups. Business’ technical expertise is expected to be at the forefront of all. Companies act like a service agency to policy-makers: they bear the cost of collecting, analysing and disseminating political intelligence (Werner, 2014). In exchange for the provision of this service, policy-makers grant companies an easier access to the political process.

Strong (2010) studied the role of the business community in the making of UK climate policy between 1997 and 2009. She found that information needed by government officials facilitated access to, and gave influence on the policy-making process. The privileged position of business because of its technical expertise results in asymmetric information in policy-making: government officials find it difficult to verify or challenge the claims put forward by companies that are leaders in their field. In addition to capital flight, the dependence of policy-makers on business’ technical expertise contribute to the structural power of the firm (hidden CPP). According to Rehbein and Schuler (2013), expertise on CSR issues reinforces the privileged position of a company. They suggest that a company that undertakes CSR activities in a community, for instance through employee volunteering programmes, not only

gains a positive public image with local constituents, but also collects novel information and develops expertise over CSR issues in the community. These attributes make the firm an attractive partner for local politicians to consult and work with, starting with the granting of more and easier access to policy-makers.

A particular use of technical expertise in policy-making connected to CSR, is the combination of technical expertise and lobbying for technical standardisation, a practice that Frankel and Højbjerg (2012) call "technical activity" (i.e. technical plus political activity). Unlike more familiar forms of CPAs, technical activity aims at developing norms and technical standards for goods and services within an industry in advance of their demands by policy-makers, with the hope these standards will be used as references in future government policies. The references could make these technical standards legally binding, or recommend them as one way among others to comply with the requirements of the policies. Technical activity has some similarities with the discursive instrument "sound science" reviewed earlier. Since legality is often commensurate with legitimacy (Litowitz, 2005), once a technical standard has been legally accepted as a reference, it becomes part of institutional norms of society expected to be met or exceeded by corporate and natural citizens. Since it is the corporate citizen that has set the norm, threats to its legitimacy are mitigated.

Technical activity is a CSR activity because technical standards can originate from CSR activities, such as the creation and adoption of voluntary standards by an industry. For instance, the Forest Stewardship Council is a global forest

certification system, created and managed by civil groups and timber companies since 1993. In 2010 the EU Commission adopted a policy to prevent sales of illegal timber products on the European market. The policy referred to the use of the Forest Stewardship Council's certifications as a way to guarantee the legality of a timber product.

Frankel and Højbjerg (2012) argue that most academics and government officials disregard, or assign lesser weight to the practice of technical activity than other CPAs. If a company's representative goes to the European Commission to present the company's position on a political issue, the firm is seen to engage in CPA and controversy could ensue. However if the same representative goes to the European Committee for Standardization – an agency responsible to recommend European technical standards to the European Commission – and negotiate norms for the firm's products, the firm engages in technical activity. Yet it is more likely that this latter effort by the firm to set standards, and therefore control its external environment by setting the institutional norms of what constitute legitimacy, will go unnoticed. Technical activity can hide a corporate political agenda to frame debates on future policies, and the results may not always be beneficial to the public. For instance, in the UK 25 percent of purchased food is discarded at home. It encourages over-consumption and pollution, which are CSR issues. A driver of food wastage is date labelling; consumers misunderstand expiration date labels ('sell by', 'use by', 'display until', and 'best before' dates) (WRAP, 2012). New norms are needed but it may affect sales, so manufacturers and retailers disagree on the technical standards to adopt. Each party has a vested

financial interest to maintain the current norms, and prefer to reject the responsibility for this externality on the other party, the British government, and the lack of education of consumers (Newsome et al., 2014).

Taken together, technical expertise and a structural position in society should give companies the ability to exercise the three forms of CPP at the same time.

3. Social Capital:

Social capital is the ability of an actor to secure benefits from his or her social relationships (Bourdieu, 1985; Barney, 1991). There are two forms of social capital that companies develop over time in the political arena: political ties and political reputation. The first one, political ties, comes from the first mechanism of hidden CPP (i.e. privileged relationship between top corporate managers and policy-makers), or from the use of the revolving door. A CSR related activity that makes use of the revolving door, and builds political ties, is the participation in Public-Private Partnership (PPP) programmes, such as Task Forces and Quasi-Autonomous Non-Governmental Organisation (Quangos). PPP brings together members from the public and private sectors and as a result, political ties develop between these actors.

Both PPP and the revolving door are instruments of visible and hidden forms of CPP. The public may notice that former government officials appointed by a company, and corporate managers sit on the boards of Quangos, hospitals and schools. But the public remains unaware of how these individuals use their knowledge of regulatory procedures, and their personal contacts in government departments, to set the agenda of meetings and frame debates in

a fashion that advance the interest of their employer (Farnsworth and Holden, 2006). One example given by Levy and Egan (2000) will illustrate this point. In 1992 at the United Nations Conference on Environment and Development in Rio de Janeiro, the CEO of the Canadian electricity company Ontario Hydro was appointed Secretary-General of the conference. In turn, he invited the industrialist Stephan Schmidheiny to be his principal adviser. Schmidheiny founded the Business Council for Sustainable Development, an NGO group made of 48 of the world's largest companies to represent the voice of business at the conference. The outcome of the conference, the Framework Convention on Climate Change adopted by governments as a policy instrument, was legally non-binding, with no enforcement mechanisms and no concrete commitments by companies to reduce their greenhouse gas emissions. Most civil society groups and academics criticised the conference board for being structurally biased in favour of business (Levy and Egan, 2000).

According to Patricia Hewitt, former Secretary of State for Health in the Tony Blair government, there are three lobbying practices that can be disguised as CSR activities to build political ties (Groves and Newling, 2010):

1. Offer politicians hospitality by inviting them to corporate events;
2. Ask a third party (e.g. NGOs, government agencies, charities, think-tanks, universities) to organise an event, sponsor the event and have a company representative sit next to the policy-maker;
3. Identify a link between the company's activities and the policy-maker's constituency, and request a private meeting.

Community relations as part of a CSR programme provide opportunities for these three activities. For instance, some companies sponsor museums and art galleries just for the opportunity to meet policy-makers (Moir, 2004). A final method to build political ties by means of CSR activities, is for a company to be a member of trade associations, NGOs and charitable organisations. Skippari (2005) noted that these memberships confer to corporate managers a social status, which contributes to the social capital of their employer. The memberships also give a number of opportunities to meet government officials and build personal ties with them.

On the second form of social capital, political reputation, Attarça (1999) insisted on distinguishing it from public image. Whereas public image is best associated with the reputation of the firm with all stakeholders, political reputation corresponds to the credibility of the firm with government officials only. Political reputation results from the accumulation of political successes in policy-making, or a history of providing reliable and essential information to policy-makers, leading to the acquisition of an informal political status of “trusted expert” among government officials (Ellis, 2008). Political reputation is a medium of power difficult to notice because it is active outside and within the political arena, before, during and after the policy-making process. Mattingly (2006) claims that companies that have accumulated sufficient political reputation, are more likely to shape successfully public policies. And even if policy-makers may have decided upon a policy apparently hostile to a firm, compromises and amendments may have been reached behind closed doors. By concentrating on creating exemptions and legal loopholes rather

than opposing the entire policy, the company still gains in political reputation (Polk and Schmutzler, 2003). In a way, political reputation feeds upon itself.

In their theoretical analysis of CSR activities as alternatives to CPAs, Hond et al. (2014) argue that “traditional” CPAs are more expensive and less reliable than the leverage of social capital built on trust. They therefore suggest that political ties can reduce the costs of politically active companies to access and convince policy-makers. This claim is supported by empirical evidence from Hillman (2005) and Faccio et al. (2006), who found that companies with political ties receive preferential treatments for government contracts, access to capital and more tax benefits. According to these studies, social capital affects positively political access and corporate financial performance. One interpretation is that political ties give the firm more technical expertise in regulatory procedures, and more political reputation. These two elements facilitate access to policy-makers, and give credence to the information provided to policy-makers in lobbying situations.

The final political outcome of CSR is indebtedness. It ties in with social capital, but for the sake of clarity the two outcomes are kept apart.

4. Indebtedness:

-According to Sánchez (2000), indebtedness is a subtle and insidious political outcome of CSR that has gone unnoticed in the literature. When a firm does a CSR activity by which they provide a tangible benefit to the recipient, in our context a politician, there is a psychological dependence by the policy-maker

to repay the debt she or he feels owing to the firm. This dependence finds explanations in the theory of influence by the social psychologist Robert Cialdini (2007). He demonstrated that reciprocity is a key principle of power and influence in social relations across civilisations. When we receive a gift, we feel indebted to the donor and want to cancel that debt by being more kind and receptive to the requests of the donor. CSR activities such as philanthropic donations, trigger a psychological impulse on the part of recipients to repay the favour to the company. Indebtedness is therefore a medium of invisible power.

Indebtedness is more likely to be created when a company gives non-monetary philanthropic contributions, or indirect financial contributions, to a policy-maker (Bonardi and Urbiztondo, 2013). Sims (2003) gives the examples of funding an organisation close to the politician's heart, employing a member of his or her family, and providing public goods and services that support government policies, or help to solve community problems for which the politician is accountable for to voters. All these CSR activities provide a platform for dialogue with politicians who benefit from them, and for developing social capital. More importantly, they create a sense of indebtedness to the politicians. They feel morally obliged to reciprocate this kindness, starting by giving easier political access to the firm (Sánchez, 2000; Fooks and Gilmore, 2013). Hillman et al. (2004) made a similar observation following their review of CPAs in the US. They remarked that the "[company] with a history of sponsoring community projects most likely realizes easier access to and better hearing from local politicians" (p.16).

Wikileaks (2011) gave evidence that indebtedness could provide a means to exercise invisible CPP. Prior to the 2007 presidential election in Argentina, the government negotiated with local banks the issues of small enterprises and mortgage loans at very low interest rates, which were unprofitable to the banks. The objective was to use the publicity in the media to boost the electoral chances of the presidential candidate Cristina Fernández de Kirchner, who was at the time the First Lady. The banks accepted to issue loans at a loss because they knew it was temporary, that the government had no intention to verify if the loans were really issued, and that their gesture would create indebtedness. The banks expected de Kirchner, when elected, to return the favour. While this creation of false consciousness among voters contributed to the election of de Kirchner, the banks promoted a public image of being responsible corporate citizens, concerned with providing affordable loans to those in need (Bonardi and Urbiztondo, 2013).

Table 5 summarises the four political outcomes of CSR, i.e. the political goods of CSR, and the CSR activities noted in the literature that create them. We will note that scholars have mainly used corporate philanthropy as a proxy for CSR, particularly charitable giving, because the expenditure is measurable and thus useful for quantitative studies (Orlitzky et al., 2003; Brammer and Millington, 2008). Charitable giving is cash and non-cash donations to charities such as gifts-in-kind and employee volunteering time).

Political Outcomes (Political Goods)	Role	CSR Activities
Public Image	Give the firm legitimacy and trustworthiness	Philanthropy (community programmes, event sponsorships, charitable giving...); self-regulation practices that meet stakeholders' expectations; abide by the law; CSR reporting; contribution to environmental sustainability (pollution emissions and waste monitoring)
Technical Expertise	Make the firm an attractive source of information for policy-makers	Free advisory service (i.e. philanthropy); technical activity
Social capital	Facilitate access to policy-makers, give credence to the firm's reputation	Philanthropy; participation in PPP; revolving door, membership of NGOs, trade associations and charities
Indebtedness	The support of government projects and politician's causes creates indebtedness that gives political leverage	Philanthropy; indirect financial contributions

Table 5: Political Outcomes of CSR

From this discussion of the political outcomes of CSR, we can draw the conclusion that CSR activities are instruments of CPP, like CPAs. Accordingly Table 6 presents an update of the CPP Framework:

Forms of CPP	Visible	Hidden	Invisible
Characteristics	Agency	Structural	Discursive
Mechanisms	Visible actions that shape the policy-making process and policy outcomes	Certain actors and issues are excluded from public debates and decision making	Socialisation and control of information
Instruments (CPAs)	Financial and Informational types of CPA; constituency building; coalition building	Front groups and third party sponsorship (Astroturfing); political ties; revolving door; capital flight threats	Dominant neoliberal ideology (economic growth, free market, consumer choice); sound science; advertising
Instruments (CSR Activities)	Philanthropy (event sponsorships; community programmes; employee volunteering); PPP; revolving door; self-regulation	PPP; revolving door; technical activity	Technical activity; indirect financial contributions; advertising

Table 6: CPP Framework with CSR

2.5.6 Impacts of CSR

Other than the determinants of CSR activities, the body of empirical studies in the literature has largely focused on the impact of CSR on corporate performance. The literature indicates that CSR activities contribute to corporate legitimacy by improving customer trust and loyalty, attracting

qualified employees to join the company, and by helping to negotiate better terms with suppliers (Fombrun and Shanley, 1990; Rowley and Berman, 2000; Roberts and Dowling, 2002; Aguinis and Glavas, 2012). It has also been reported that CSR activities help companies reduce their waste and therefore costs (Sharma and Vredenburg, 1998). Although these different impacts may contribute to the economic success of the firm, empirical research of the relationship between CSR and Corporate Financial Performance (“CFP”) remains inconclusive to date. The link has been found in the direction CFP-CSR, i.e. an increase or decrease of the financial performance correlates with an increase or decrease of the social and environmental performance of the firm (McGuire et al., 1988; Waddock and Graves, 1997; Orlitzky et al., 2003). In contrast, research in the reverse direction CSR-CFP remains unsettled. Despite approximately 170 studies that have been conducted in the last four decades, it is still unclear if CSR is positively correlated to CFP. Results are mixed, ranging from positive to neutral to negative (Vogel, 2005; Margolis et al. 2007; Orlitzky et al., 2011; Burchi and Tarabella, 2013). Similar to CPA research (Section 2.4.5), it is usually the methodology and sampling errors that have been criticised for the contradictory findings between CSR studies. Researchers have tended to lump together data from companies that belong to different industries, and which confront different contexts, CSR issues and stakeholders (Wokutch and Spencer, 1987; Griffin and Mahon, 1997; Waddock and Grave, 1997; Roman et al., 1999). But CSR is a dynamic and contextual phenomenon, “the issues change and they differ for different industries” (Carroll, 1979, p.501).

This review of the impacts of CSR completes the review of the literature. The next section will summarise the literature, highlight the gaps, and a conceptual model will capture the relationship between CSR and CPP.

2.6 Literature Summary

In the same manner that power and responsibility are intertwined and are not easily dissociated, CSR and CPP form a pair. The firm as a legal person and citizen has political responsibilities similar to natural citizens, but those of the firm are considered to be greater because of its greater influence and power. Yet despite a growing interest in the concept of Extended Corporate Citizenship, the political dimension of CSR is still empirically under-studied. This political theory of CSR claims that the firm is a political actor and CSR activities are a type of CPAs. Rare are the studies that conceptualise CSR activities as political activities. Yet the review of the body of work on CSR and CPA reveals some overlaps between the two fields. One overlap concerns the determinants. CSR activities and CPAs are first and foremost motivated by instrumental motives, whether external threats to corporate legitimacy, particularly regulatory threats, or the desire to improve financial performance through public policies or sales of goods and services to the government. Another overlap is the mechanisms by which CPAs and CSR activities are able to contribute to the political power of the firm. The theoretical framework adopted, RDT+RBV underpinned by the institutional theory, is built on the proposition found in CPA studies (Hillman and Hitt, 1999), and CSR studies (Maxwell, 2000), that the political environment of the firm is akin to a political marketplace. The firm exchanges political goods against political favours with

policy-makers. CPAs produce three types of political goods; CSR activities produce four types. Although different, each political good fulfils the same function of acting as a means to give the firm political access. CPA-based mechanisms and CSR-based mechanisms are both underpinned by the RDT+RBV framework.

A third overlap concerns the ambiguous impacts of both CPAs and CSR activities. It is unclear if and how CPAs and CSR activities do or do not shape public policies (or contribute to corporate performance). Researchers blame methodological errors and a gap in knowledge on the processes and mechanisms (moderators and mediators) for this shortcoming (Waddock and Grave, 1997; Aguinis and Glavas, 2012). One limitation is the use of *observable* charitable donations as the proxy for CSR. A reason might be that these activities can be easily quantified and help research the “business case”. However corporate giving is not representative of the whole CSR phenomenon (Carroll, 1991).

Another weakness stems from the difficulty to observe and trace the effects of CSR and CPA in policy-making. Because of this, many studies use political access and CPA expenditure as proxies for CPP (Sims, 2003; Fooks et al., 2011; Richter, 2011). Level of access, and visible policy outcomes on a case-by-case basis, are the only means to assess the three forms of CPP.

The last shortcoming is the failure to systematically contextualise CSR and CPA research. Many studies are quantitative and use data from various sources (Lux et al., 2011). They do not capture the temporal and geographical aspects of CSR and CPAs, when in practice these nonmarket activities are constrained by the external environment of the firm. Determinants are

contextual and so are CPAs and CSR activities (Getz, 1997; Skippari, 2005; Fuchs and Lederer, 2007). Process-oriented case studies are best to analyse the link between CSR and CPP because a process approach retains the relational aspect of power and allows for the exploration between “cause,” “capacity,” and “effects” in a defined environment (Berenskoetter, 2007). Unfortunately data are difficult to collect as companies are secretive about their CPAs, and the literature suffers from a lack of case studies at the firm level (Shaffer, 1995). Fooks et al.’s study (2011, 2013) for instance, the only in-depth case study on the CSR-CPP relationship to my knowledge, was feasible only because the case-company investigated had released internal documents to the American courts. It is survey-based studies at the industry level that prevail in CPA scholarship (Rajwani and Liedong, 2015). But these studies are criticised for being US-centric, and theories and empirical findings may not be applicable to all contexts (Barron, 2010; Rasche, 2015). Given that the characteristics of CSR activities and CPAs are expected to differ across nations and industries, there is a need for more in-depth case studies, process-oriented and contextualised to a single industry within a single country.

Given the aforementioned gaps in knowledge, this thesis will analyse the CSR-based mechanisms of CPP and their impacts. To achieve this purpose, the study seeks answer to the research question: “How does CSR contribute to CPP?” Research will be restricted to a single industry in the UK. Following the definition of CSR employed by this thesis, all the CSR activities

undertaken in that industry will be investigated, not solely visible charitable donations like previous research did.

The next section presents the conceptual model.

2.7 Conceptual Model

The preliminary conceptual model that illustrates the relationship between CSR and CPP is based on the findings from the literature review and theoretical perspectives adopted. The model conceptualises the political environment of the firm as a marketplace. The exercise of CPP is based on an exchange of political goods between the firm and policy-makers, underpinned by the institutional settings (e.g. local laws and culture) and the context in which the trade occurs. Political goods are produced by corporate activities (i.e. they are the outcomes of those activities), and they are the mechanisms by which these corporate activities contribute to CPP.

Two types of corporate activities were identified in the literature as leading to the production of political goods. One type is the traditional CPAs, which typically produce three political goods, information, votes and financial contributions. The second type is CSR activities, which produce four political goods, namely public image, technical expertise, social capital, and indebtedness. With these later four political goods, companies are able to use CSR activities as substitute to CPAs on the political marketplace. The process is as follow: the firm seeks CPP to maintain and/or improve its revenues, or external pressures motivate the firm to seek CPP to mitigate external threats to its legitimacy. To access policy-makers, the firm can use either CPAs or CSR activities. Having gained political access, the firm leverages its

organisational resources to obtain a government contract or a public policy that advances its interests.

Figure 3 presents the preliminary conceptual model of the CSR-CPP relationship. Variants of the left part of the model (CPA-CPP) have already been studied in the literature (e.g. Neiheisel, 1994; Sims, 2003; Fooks and Gilmore, 2013). The right part of the model with dashed arrows (CSR-CPP) is the gap in knowledge investigated by this research. CSR activities and CPAs are viewed as instruments of CPP, and the model illustrates the parallel between these two activities generally treated separately in the literature.

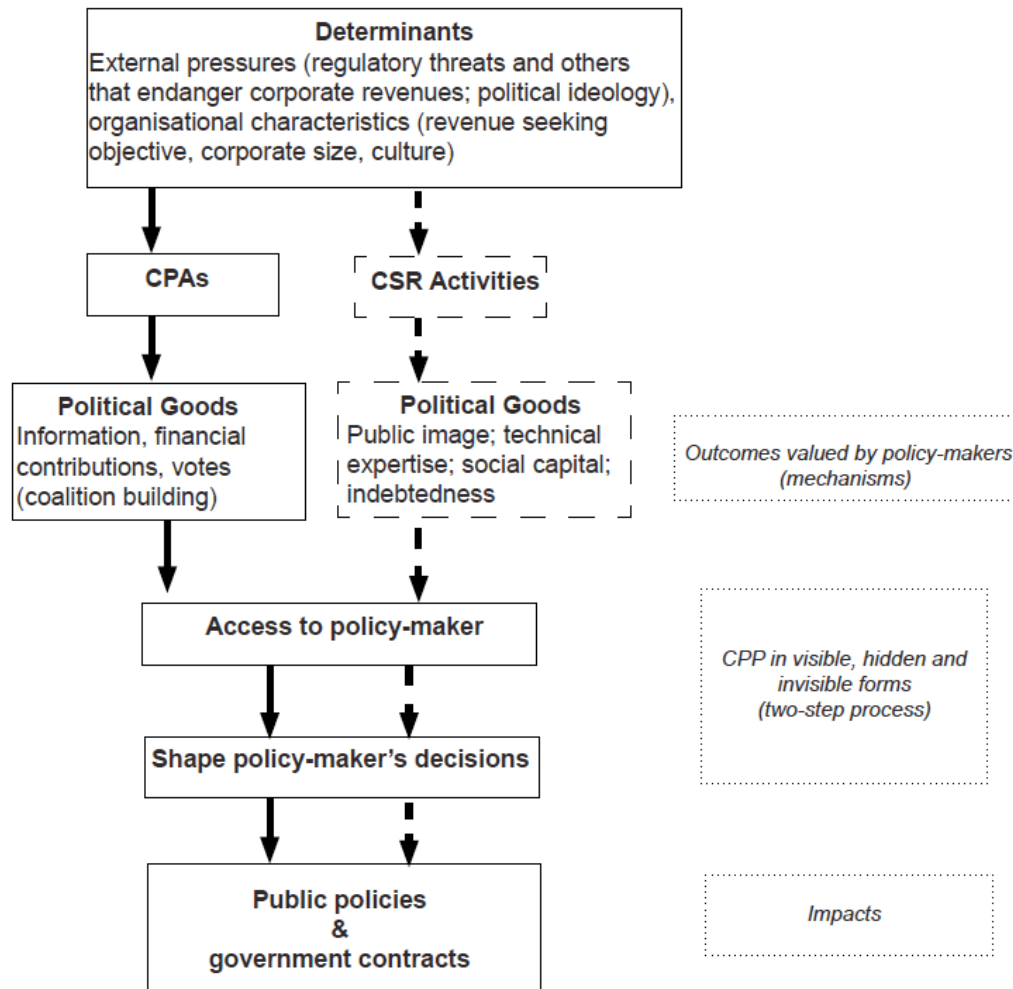


Figure 3: Conceptual Model of CSR-CPP

2.8 Chapter Summary

This chapter has presented a critical review of the different fields of study; it has identified gaps that the thesis will seek to address by investigating answers to one main research question. A conceptual framework built from the literature and the theoretical fields underpin the research. In the next chapter the methodology guiding this study, and the research methods employed, are presented.

Chapter 3

Research Methodology

This chapter outlines the approach taken to design and conduct the research. The philosophical approach to the study is presented, followed by the methods and research design. The chapter concludes with the strategies used to collect and analyse the data.

3.1 Research Paradigm

The term “research methodology” refers to the strategic approach adopted by the researcher to carry out the study and discover knowledge (i.e. answers to the research question). The methodology is guided by the philosophical assumptions, also called research paradigm, of the researcher. The paradigm represents the framework of beliefs and values that underpins the research methodology, from the way the researcher sees the world to the selection of methods to gather and analyse data (Lincoln and Guba, 2000). According to Guba (1990), paradigms are characterised by their ontology (what is the nature of reality?) and epistemology (how do you know what you know?). There are two main opposing ontologies in science (Bryman and Bell, 2007; Saunders et al., 2009). Objectivism as an ontological position considers that phenomena and their meanings are independent and separated from social actors. In contrast, subjectivism considers that phenomena and their meanings are constructed by the interactions of social actors.

There are also two main epistemological positions that oppose each other in science, namely positivism that is closely related to objectivism, and constructivism related to subjectivism. Constructivism is often identified with 'interpretivism', although Schwandt (2000) argues there is a minor difference between the two. Positivism holds that reality is objective and independent of actors. Only the positive affirmation of theories through authentic scientific methods provides true knowledge of the world. Therefore researchers must focus on facts and avoid a personal judgment of data. General laws and theories can be discovered following a large number of observations and measurements using quantitative methods of data collection and analysis to ensure objectivity. Since research assumptions can be formed prior to the data collection, positivism is mainly deductive in approach. It usually attempts to test theories and hypotheses through their application to the specific contexts (Crowther and Lancaster, 2009).

While positivism is suitable for research in natural sciences where scientists look for universal laws (e.g. mathematics and physics), in social science it is difficult to use this research paradigm because researchers need to interact with the people who cause the social phenomena studied (Fleetwood and Ackroyd, 2003). In contrast to natural phenomena, the understanding of social phenomena is only possible through the eyes of social actors. Because each person tends to have his or her own interpretation of an event, for social scientists reality is not easily predictable and assumptions may be made at the outset of the research. For this reason, constructivism/interpretivism has been developed in response to the limitations of positivism. Constructivists consider that reality is subjective and socially constructed by actors;

knowledge can only be found through their eyes (Eriksson and Kovalainen, 2008). Because reality is individually constructed, constructivists recognise that general truth is difficult to conceive. Rather than seeking generalisation to an entire population as positivists do, constructivists tend to adopt qualitative methods to inductively understand why a phenomenon exists in context-specific settings. Theories are not determined prior to the data collection but are constructed during the study (Creswell, 2003; Eriksson and Kovalainen, 2008).

The debate between the proponents of these two opposing epistemologies, and the need to find a common ground, has led to the emergence of new paradigms. Two that have gained attention in recent years in business studies are pragmatism and critical realism (Mingers, 2004). Pragmatism is simply the commitment to no research paradigm. Pragmatic researchers focus on what works in practice and use any methodology and methods they judge best to answer the research problem and research questions they face (Creswell, 2003). Inductive and deductive strategies, qualitative and quantitative data, all can be mixed at different stages of the research process depending the researcher's needs (Johnson and Onwuegbuzie, 2004; Morgan, 2007).

Critical realism positions itself between positivism and constructivism. It is similar to positivism in that it conceives of external reality independent of human consciousness (i.e. objects exist independently of the human mind). But contrary to positivism, critical realism makes a distinction between natural phenomena (e.g. lightning strikes) and social phenomena (e.g. fashion trends, bureaucracy). The latter cannot be understood independently of the social

actors and social structures involved in their creation. Thus critical realism takes into account the link between social structures and their causal power on actors, like the resource dependence theory does (Blaikie, 2003; Bryman, 2008; Eriksson and Kovalainen, 2008; Saunders et al, 2009). Nevertheless critical realism opposes constructivism on the basis that it does not consider that the emotions experienced by an individual can distort reality and render a wrong image of the real world to the individual. In addition, for critical realists the social world includes institutions and cultures (national, organisational), which exist independently of an individual's thinking (Bergin et al., 2008; Saunders et al., 2009). Another distinction from positivism and constructivism is that critical realists believe reality can exist on multiple levels: the *empirical domain* that consists of events that can be observed and experienced (e.g. a company publishes a CSR report); the *actual domain* that consists of events observable or not (e.g. the tangible and intangible benefits of publishing a CSR report, which can only be known by interviewing the company's stakeholders); and the *real domain* that consists of the structures, mechanisms and processes that produce these events (e.g. a conceptual model to understand why a company produces a CSR report, how it does, and the tangible and intangible benefits to be expected) (Blaikie, 2003). In other words, a feature of reality is that there is a gap between what we experience and understand (empirical domain), what really happens (actual domain), and the mechanisms that make things happen (real domain).

Thus whilst positivists look for explanations that fit one stable and universal reality, constructivists focus on the meaning that actions have for actors and offer their results as one interpretation of the social phenomena studied. In

contrast to both, critical realists look for causal relationships (the mechanisms), but consider that the important ones cannot be observed and have to be established indirectly, by being inferred from the researcher's theory and observable relationships (Danermark et al., 2002; Marsh and Smith, 2001; Bergin et al. 2008). Table 7 summarises the four common research paradigms in management research.

	Positivism	Constructivism/ Interpretivism	Pragmatism	Critical Realism
Ontology: <i>the researcher's view of the nature of reality</i>	External, objective and independent of social actors	Socially constructed, subjective, may change.	View chosen to best enable answering of research questions.	External, objective and independent of human beliefs, but is interpreted through sensations and mores.
Epistemology: <i>the researcher's view of what constitutes acceptable knowledge</i>	Only observable phenomena can provide valuable data. Findings are true and can be generalised.	Knowledge derives from subjective meanings. Researcher is a participant. Findings are approximate truth as reality is never fully apprehended.	Either or both observable phenomena and subjective meanings can provide acceptable knowledge.	Observable phenomena provide credible data; findings probably true if triangulated from many sources.
Methodology: <i>how the researcher examines reality</i>	Large samples; mostly quantitative data to test theories (surveys, experiments, etc.).	Small samples; mainly qualitative data but can be quantitative (interviews, participant observations, case studies, etc.)	Focus on a practical approach to gather and interpret data. Mono, mixed or multi-method depending research questions; quantitative and/or qualitative data	Methods and sample size depends of research questions; quantitative and/or qualitative data.

Table 7: Research Paradigms (adapted from Saunders et al., 2009)**3.1.1 Rationale for the Research Paradigm Adopted**Personal Beliefs:

The literature review influenced my view of the world. At the end of it I regarded CSR to be a dynamic socio-political phenomenon. The environment of the firm is not static but constantly changing and so, both CSR and CPP are like on-going processes that constantly monitor and adapt to external pressures. Both concepts are contextual. The meaning and content of CSR change over time, in parallel with a society's values and the expectations of its citizens. CSR and corporate legitimacy are built on a constructivist epistemology because they are dependent on the belief of the firm's stakeholders (Suchman 1995; Kurucz et al., 2008). For these reasons, I adopted the constructivism's assumptions that (i) reality and knowledge are known through experiences in a given context; (ii) language is not a transparent medium of communication; and (iii) social rules and codes shape an actor's knowledge (Foucault, 1980; Burr, 1995). I also followed Marsh and Smith (2001) and Marsh and Furlong's (2002) recommendation to use multiple research philosophies. According to them, although the causal mechanisms of a process and its outcomes can be revealed and explained from empirical data, they can only be understood through recognition of their social construction. Business managers are individuals with a free will but influenced by their environment and emotions. They are constantly making strategic choices among multiple goals to satisfy multiple stakeholders, so the

understanding of their apparent rational choices is best developed through the analysis of managers' own stories (Kaplan, 1993). But their stories only provide a small window on the phenomenon. Only by uncovering the underlying mechanisms, which managers may not be aware of, can we have an in-depth explanation and understanding of the whole phenomenon. The critical realism stance is congruent with a 'Foucauldian' view of the world, where knowledge and power create each other (Joseph, 2004; Al-Amoudi, 2007). Indeed, with critical realism claiming there are multiple interpretations of reality because it is socially created, some scholars argue that constructivism is compatible with a realist worldview and social scientists can be critical realists and social constructivists at the same time (Messick, 1989; Krausz, 2000; Cupchik, 2001; Marsh and Furlong, 2002; Barkin, 2003; Al-Amoudi and Willmott, 2011; Elder-Vass, 2012). The resulting hybrid paradigm is 'constructivist-realism': social sciences deal with phenomena that are recognised to be real, but their descriptions and explanations are constructed by scientists, hence the term 'constructivist-realism' (Krausz, 2000; Cupchik, 2001). Constructivist-realism suits research where participants are not expected to have, nor willing to provide, all the answers or truthful accounts to the phenomenon investigated. The unknown is to be uncovered, and the mechanisms of reality constructed by the researcher: how companies design and manage their CSR activities can be partially observed through their annual reports and CSR reports, but how they design and manage their political activities cannot because they are secretive on this subject (Lawton et al., 2013).

Although constructivist-realism is the main underpinning paradigm of this research for the theoretical reasons and personal beliefs mentioned above, pragmatism also guided me to this choice due to the nature of data sought.

The Nature of Data:

The main practical challenge faced by all researchers on CPAs in the UK is the lack of information on these activities and their impacts (Harris, 1999). Companies do not report on their CPA expenditure, and information on the processes and tactics used by businesses concerning their political affairs is scarce. To study CPA or CPP in the UK, researchers must interview business executives and government officials who have knowledge of them. But access to those individuals is more challenging than for studies on other subjects, as they are reluctant to discuss what it is considered to be commercial and sensitive information. Hence the size of samples in those studies is usually not large enough to conduct quantitative data analyses, nor is random sampling effective to collect high quality data. All of these make the adoption of the positivism paradigm difficult in this field of research in the UK (Collis and Hussey, 2009). Furthermore, when managers do accept to talk about their political or CSR activities, they often suffer from a social desirability bias (Bondy, 2008). They explain the reasons for their decisions and the outcomes from their own perspective but, as they fear criticism on the possibly controversial nature of their actions, their frankness and the full details of their disclosures may be questionable (Shaffer, 1995; Banerjee, 2002). For this reason, collecting objective data on these two subjects is difficult. Researchers must carefully interpret the data gathered by taking into account

the socio-economic and political contexts in which events occurred. This makes constructivist-realism suitable as context is central to this hybrid paradigm.

Research Strategy and the Role of Theory:

Another motive to locate the research within a constructivist-realism orientation was the research strategy. Given the lack of empirical research on the political dimension of CSR in the UK, this study sought the understanding of a phenomenon rather than the verification or falsification of theories on a phenomenon. Positivism, with its use of pure deductive thinking, was not appropriate because it does not contribute to the construction of new theory, but rather confirms or invalidates previous ones. Interpretivism was not suitable because the literature review informed the research and therefore, a pure inductive reasoning was not possible. The alternative was to adopt a retroductive research strategy.

Retroduction is based on realism. It is a mode of analysis for findings answers that explain what conditions in reality have, may have, or could have led to the phenomenon (Olsen and Morgan, 2005). It starts in the domain of the actual by observation of the phenomenon, and then seeks to uncover the mechanisms responsible for it by building a preliminary conceptual model. As the mechanisms represented by the model are in the “real” domain, and usually not directly observable initially, their nature and functions have first to be imagined before evidence can be sought and the model verified (Blaikie, 2003). The objective is to explain the phenomenon and not predict it. Retroduction requires the cyclical move back and forth between the literature,

the conceptual model and the emerging empirical data to uncover the real mechanisms (Miles and Huberman, 1994; Davis and Marquis, 2005). Ragin's (1994) model of social research, shown in Figure 4, describes the retroduction process:

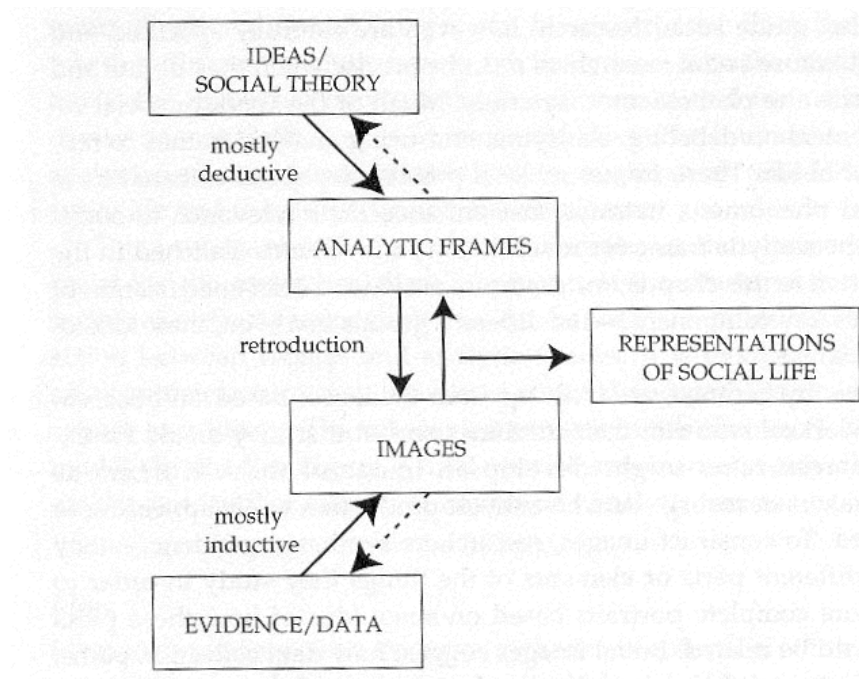


Figure 4: A Model of Social Research (Ragin, 1994, p. 57)

The “analytic frames” (conceptual frameworks and models) are deduced from general observations, personal experiences, ideas and theories from the literature; “images” of reality are inductively constructed from the evidence collected in the field. To represent “social life” as realistically as possible, the analytic frames guide data collection and are constantly compared and combined with images in a process called retroduction. This combination of deductive and inductive thinking tends to provide better research findings (Miles and Huberman, 1994; Langley, 1999; Eriksson and Kovalainen, 2008). Indeed, it is been claimed that no study begins without any prior knowledge of

either the field or a prior theory (Eisenhardt, 1989; Pettigrew, 1997; Denzin and Lincoln, 2000), and trying to use a purely deductive or inductive strategy is “unnecessary stultifying” (Langley, 1999, p.694). The literature review helped me in understanding the present state of knowledge on CPP and CSR, and in identifying research gaps to direct my research. This culminated in the initial conceptual model in Figure 3, which guided the data collection and analysis. For instance, it gave a prior view of the general constructs for the development of interview questions and *a priori* codes (Eisenhardt, 1989; Miles and Huberman, 1994). Considering that at the beginning of the data collection the model was hypothetical, it was expected that its robustness would improve as it would be revisited as data emerged. Hence the case studies in this research did not formally test the conceptual model. This fits to the retroductive strategy adopted.

3.2 Research Design and Methods

Given the aforementioned reasons for my philosophical position, a qualitative research approach was adopted. A case study design was considered the most suitable methodology to apply, as it allows the investigation of the phenomenon within its real life context. The inter-dependency between a phenomenon and context is best captured through a case study (Yin, 2003). In addition, the nature of data sought makes the case study methodology well suited to find answers to the research question of this thesis. Different types of case studies can be conducted depending on the purpose of the research (Robson, 2002; Yin, 2003):

1. Exploratory: used to explore those situations in which little is known of the phenomenon observed, and its effects are unclear. The researcher tries to find out what is happening, seeks new insights and generates ideas and hypotheses for new researches.
2. Descriptive: used to portray a phenomenon and the real life context in which it occurred. This type of case requires the researcher to have extensive previous knowledge of contextual conditions.
3. Explanatory: used when seeking an explanation of a situation, but not necessarily in the form of a causal relationship.

This study is exploratory in nature, as its aims to explore the relationship between CSR and CPP within the UK context. Exploring is the first step to reach an understanding of a phenomenon: to explore is an attempt to develop an initial rough description of the phenomenon; to understand is to establish reasons for particular acts or the occurrence of an event, these reasons being derived from the ones given by social actors (Blaikie, 2003).

Altogether, the reasons for adopting an exploratory case study methodology for this study are summarised as follows (Lincoln and Guba, 1985; Yin, 2003; Ghauri, 2004):

1. It is flexible and suits a retroductive constructivist-realism position as it collects participants' perceptions of unobservable events for the researcher, which fall into the actual domain of realism.
2. It focuses on relationships and processes between variables. This provides insight on how variables affect one another, revealing the

mechanisms and structures in the real domain that create the phenomenon.

3. It allows early insight into a phenomenon not yet understood. Theories, conceptual models, hypotheses and propositions can be developed, tested and/or refined.
4. The phenomenon can be studied within the real life context in which it occurs, using multiple sources of evidence and a variety of methods for data collection.

The main disadvantage of the case study methodology, regardless of the research paradigm adopted, is that the data collection and analysis rely on the researcher's interpretation of empirical data. There is always a risk that the researcher's own beliefs, values and prior assumptions limit the validity of the findings. Studies on corporate power particularly, have been accused to be biased because power as a concept is ambiguous (Luger, 2000). For instance, more relevance could be given to a datum, leading to the misunderstanding of all the empirical data (Jaikumar and Bohn, 1986; Tversky and Kahneman, 1986). Another risk of bias is the case selection. The researcher might choose a case because of its convenience, but if the case is far from being typical, the research will be very difficult to replicate (Denscombe, 2007). This is why external validity is difficult to attain with a single case study. For these reasons, a multiple case study approach was adopted for the research. With multiple case studies, the investigation of the phenomenon takes place in diverse settings across the cases, and the cross-case analysis makes the research findings more robust and reliable (Yin, 2003). If the majority of cases have

similar results, there is substantial support for the theory that explains the phenomenon (Eisenhardt, 1989).

3.2.1 Process-Based Research

This study sought an understanding of the processes and mechanisms that brought together CSR and CPP. CPP was conceptualised as a process. The phenomena had to be observed dynamically, that is “in terms of movement, activity, events, change and temporal evolution” (Langley, 2007, p.1). A process analysis links outcomes to causes and processes by showing the reciprocal mechanisms between corporate actions and social structures (Barley and Tolbert, 1997). It is an effective methodology to understand how changes come about within and outside the firm over time, and thus how CSR activities affect CPP. For these reasons, Pettigrew’s (1997) process research model was adopted.

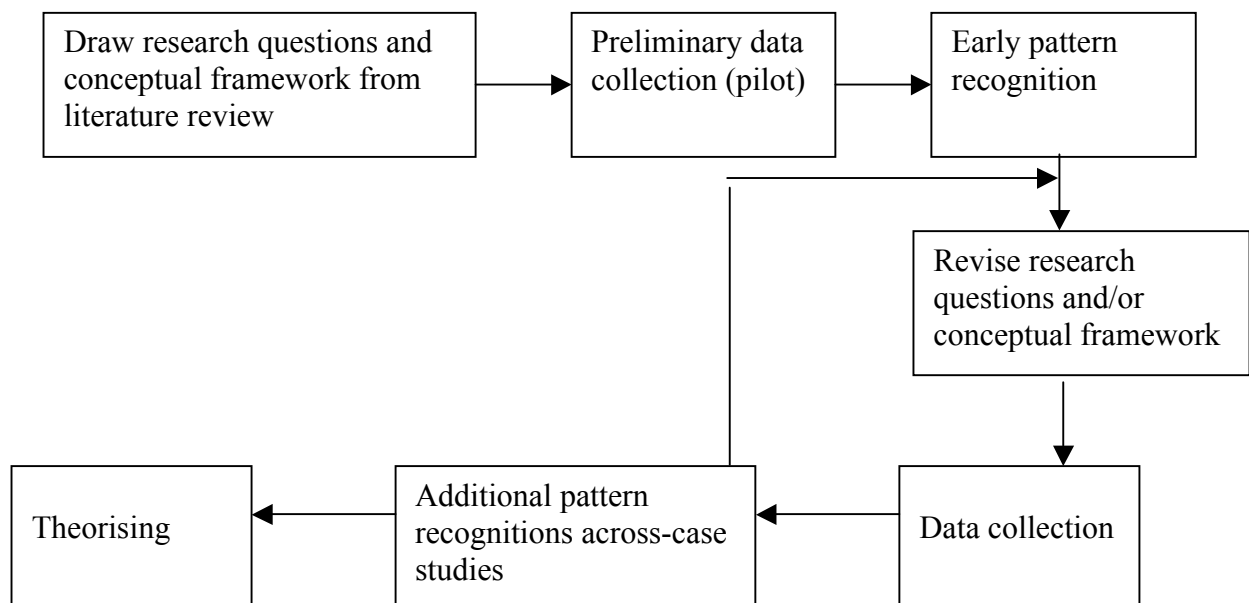


Figure 5: A Process Study (adapted from Pettigrew, 1997)

A process can be defined as *a series of non-linear events unfolding over time in context*. An event is a *temporally specific outcome of acts performed by human actors or nature (e.g. earthquakes) perceived to be critical* (Pettigrew, 1997; Elo et al., 2010). The case studies had to be retrospective, conducted in the form of time series analysis of CSR activities and CPAs for a better tracking of causes and effects in their context. I followed Barley and Tolbert's (1997) recommendations for empirical studies that use a process-based framework:

- (1) Choose a social structure or institution at risk of change. This represents the unit of analysis for the single case study.
- (2) Use various sources of data, chart the flows of actions by key actors within and outside the unit of analysis by bracketing the actions and institutional realms in different time periods.
- (3) Search for evidence of changes in behavioural patterns by the unit of analysis and its external environment. Since it is not possible to observe instantaneous changes, the only way to observe if any changes occur is by comparing the actions uncovered at time T0 to those at a later time (T1, T2, etc.) in the bracket period.

The units of analysis were the case study companies. The observation of noticeable sequential episodes of changes took place across the social structures represented by government institutions (e.g. changes in public policies, ideologies and policy-makers' expectations), and the actions of the companies (e.g. changes in everyday practises through the adoption of major

new policies related to CSR and CPA, change in human resources to fulfil these new priorities, etc.). Hence the analysis focused on:

1. The motives for case companies to undertake CSR activities and CPAs. This information helped evaluate the evolution of corporate activities, and causes for changes.
2. The starting point of the processes, called here the Key Event (T0). Unique to each case company, the Key Event corresponds to the point in time when a company took the decision to proactive engage in CSR activities.
3. The Critical Events (T1, T2, etc.) within and outside the case company. These were events that had major impacts on the firm's political and CSR activities after the Key Event. The identifications of these events are discussed in the next section.

The temporal bracket selected to capture data, including Key Events and Critical Events, was the period 1980-2010. This 30-year period was chosen because it was found to be the period during which CSR raised to prominence and became institutionalised in the UK. This long-term view helped in identifying CPP mechanisms that worked prior to and outside the policy-making process (Hathaway, 2013a), and reconstructing the chronology of Critical Events and the evolution of some public policies.

As per Barley and Tolbert's (1997) recommendations, Figure 6 represents the unit of analysis used for case studies:

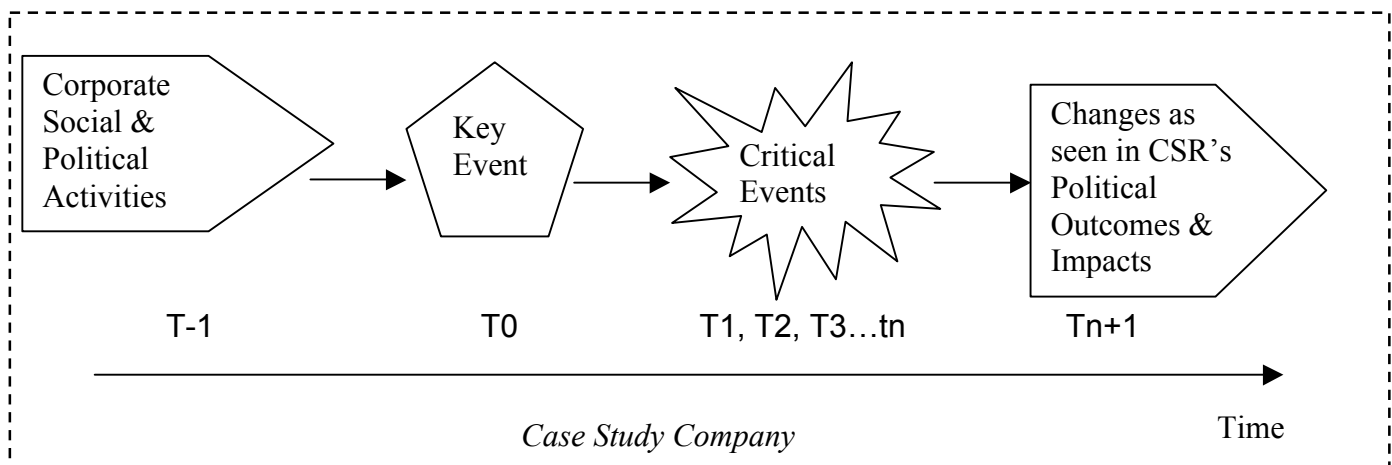


Figure 6: Unit of Analysis

Langley (1999) outlined seven common strategies for analysing process data: narrative, quantification, alternate template, grounded theory, visual mapping, temporal decomposition and synthetic strategies. Each researcher is free to use any approach he or she considers effective “to become intimately familiar with each case as a stand-alone entity [and] allows the unique patterns of each case to emerge” (Eisenhardt, 1989, p.540). For Pettigrew (1997), what is important when doing a process analysis is to contextualise the process first, and then gather the data related to:

- when the process begins and ends;
- the key sequence of actions;
- the moments when influential ideas or individuals emerge;
- the key transitions point and the remarkable individuals involved; and
- the indicators of changes at the end of the process.

The researcher finally analyses the event chronologically and writes the case study by quoting interviews and/or secondary data. I combined Pettigrew's (1997) approach with Elo et al.'s (2010) method for event-based qualitative process analysis. The method conceives of processes as several mini Critical Events that are retrospectively analysed for understanding an entire process, and ultimately the phenomenon in its entirety. The finding and sense making of Critical Events take place at three levels: macro level (events that occur in the world, outside the UK, and may affect the case company indirectly), meso level (events that occur within the UK and the British construction industry and may affect the case company directly or indirectly) and mini level (events that occur within and outside the case company and affect it directly).

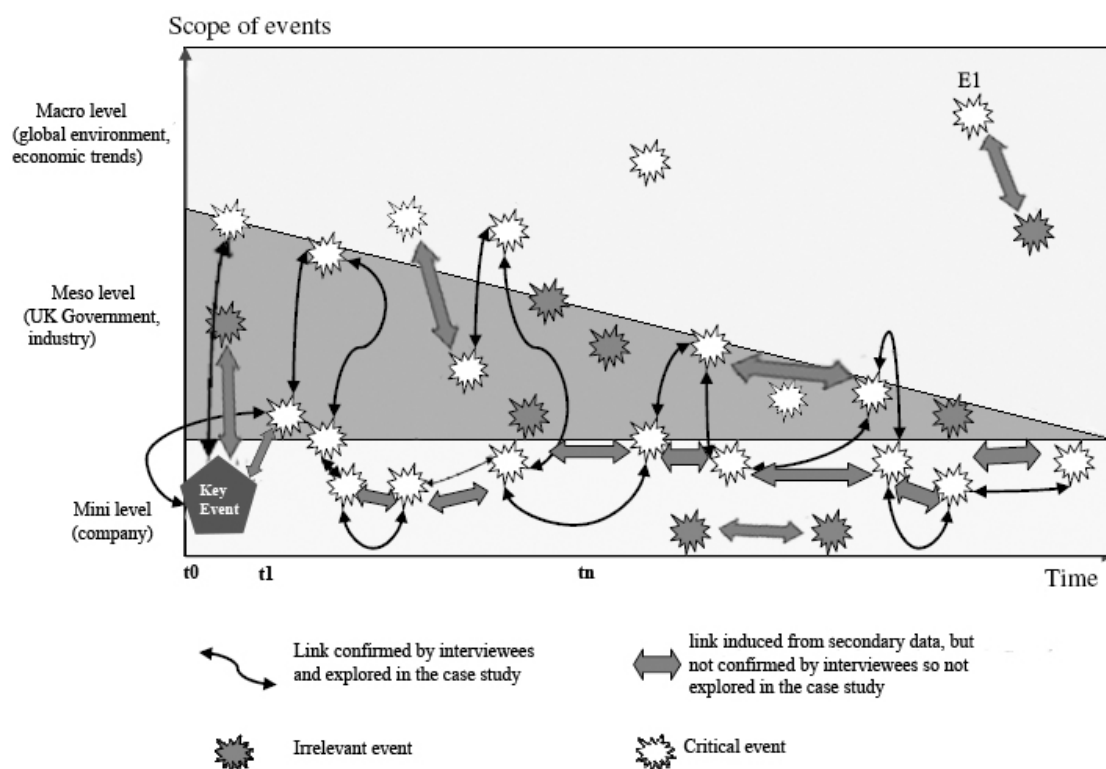


Figure 7: Tracing Events (adapted from Elo et al., 2010)

“E1” indicates events identified from secondary sources that were Critical Events in the macro and meso-level environment, such as the Falklands War in 1982 or the privatisation programme of the 1980s, and that had an observable impact on business-government relations. For instance case companies were awarded procurement contracts during these Critical Events. But E1 had to be discarded during the analysis because I did not have access to the relevant people who could confirm or refute their effects on the case company, or the participant(s) knew but declined to comment. Interestingly, because the case companies belonged to the same industry, they shared many Critical Events at the macro and meso levels. It facilitated the identification of their homogeneous and heterogeneous practices, and the institutional changes in their political environment. For instance:

Macro level:

- The United Nations Conference on Environment and Development (“Earth Summit”) in 1992, where an international action plan for sustainable development (Agenda 21) was agreed and was integrated later into British government policies .
- European Union legislations, such as the 1993 European Working Time Directive and the 1999 EU Landfill Directive).

Meso level:

- Oppositions to road buildings on environmental grounds during the 1990s, which affected the entire construction industry.
- Responses by their common trade associations to governmental consultations, and the subsequent public policy amendments.

To identify the Key Event and Critical Events for each case company, I first collected and reviewed documentary data (see list of documents and sources in Table 8) in order to get familiar with the case companies, determine a priori the Key Event and Critical Events, and establish a chronology of the different types of CSR and CPAs undertaken by the companies over time. Following the review of the documents, I sought to interview informants who had knowledge of the industry and the case companies. They confirmed, rejected and provided new data on what they considered to be the Key Event, Critical Events, the responses by case companies to these major events, and the impacts. These primary data were then triangulated with documentary evidence. This approach allowed me to identify the major events for each case company, and reconstruct the sequential events that brought closer CSR activities and CPP.

3.2.2 Case Selection

In qualitative case study research, cases are usually chosen selectively as they determine the understanding of the phenomenon. According to Yin (2003), each case is similar to an experiment and each should be selected so that it either produces similar results ("literal replication") or contrasting results ("theoretical replication") to others. Given the objective of this study to explore and understand a phenomenon that we know little about, literal replication was sought. Theoretical rather than statistical sampling was used to select the cases. Unlike statistical sampling where the cases and the population are randomly selected for objectivity and statistical reasons, in theoretical

sampling the researcher selects (i) sample cases likely to have similar results and, (ii) sample of participants within each case which will provide insights into the area of study. Case companies were selected according to the following criteria based on documentary data:

1. Industry: One conclusion reached after the critical review of the literature was the importance to contextualise research on CSR to a single industry. I chose the British construction industry for four reasons. Firstly, I had worked in the industry. I could use my existing networks to get access to key informants, and collect sensitive data of high quality. Secondly, the British construction industry is as important as the financial industry to the market economy of Britain. This industry is the one that builds the infrastructure of the country and its economy. It contributes six percent of Britain's GDP, and employs seven percent of the workforce (Rhodes, 2013). Thirdly, this industry is heavily regulated, and it has been demonstrated that a high level of regulation in an industry is associated with a high level of CPAs (Schuler et al., 2002; Hillman et al., 2009). The construction industry has been found to have "the greatest propensity to bribe public officials and exert undue influence on government policies and regulations" (Transparency International UK, 2008). Lastly, the industry suffers from a negative image among the British public for its impact on the environment, for having the highest accident rate at work for workers, for being corrupt, and for being seen as a male domain

and the last resort for young people without academic skills (Murray and Dainty, 2008; Department for Business, Innovation and Skills, 2013; HSE, 2014). This bleak perception of the industry makes it an interesting context to study CSR and CPA practices. Yet to date, knowledge of these practices in this particular industry is very limited (Murray and Dainty, 2008; Brown, 2012). This thesis can contribute to fill the gaps in these areas.

2. Industry Sector: the companies had to be general/main contractors. A general contractor in a construction project is the construction firm responsible to deliver the project. It bids, designs and builds; it has to recruit and manage all sub-contractors in the supply chain.
3. Active in CSR and CPA: only companies that were overtly active in CSR and politically were considered as potential cases.
4. Credibility: the companies had to exist for over 20 years to ensure a long experience in government relations.
5. Organisational Characteristics: the companies had to have different owners or major shareholders, and distinct historical backgrounds to ensure a “range of variation in the studied phenomenon to determine whether common themes, patterns, and outcomes cut across this variation” (Gall et al., 1996, p. 233).
6. Level of Access: given the sensitivity of the two subjects investigated, to collect data of good quality, I had to be able to access the individuals with full knowledge of CSR and political activities of each company.

There are no upper or lower limits to the number of cases that make the findings of a study more or less robust (Ghauri, 2004). The sampling of a research is only considered adequate when saturation occurs, that is when data cover all aspects of the phenomenon and additional data collected replicate existing data, hence cease providing new insights (Morse, 1991; Andrew et al, 2011). In total three British construction firms were identified as case studies (C1, C2 and C3). All three companies were general contractors, founded over 30 years ago in the UK, and where they still had their headquarters. Details of each company are provided in the 'company background' section of each case study, and their anonymity is discussed in Section 3.3.3. In short, as at 2010 C1 is a public listed multinational company with thousands of employees worldwide. The company is specialised in public infrastructure (e.g. road building, bridge maintenance, hospitals). C2 is a private family-owned firm that operates in the UK only. It has over a thousand employees, and does all type of construction work except public infrastructure (i.e. C2 works in property development, school building, social housing and offices). C3 is a public limited company that operates internationally in all projects across the construction spectrum.

3.3 Data Analysis

3.3.1 Sources of Data

A benefit of case study research is that multiple sources of data can be used and combined for triangulation purposes, such as surveys, observations, documentation, archival records, and interviews (Yin, 2003). Each data

source provides one picture of the phenomenon. When all the data converge, the researcher is better able to understand the whole phenomenon. Given the nature of data sought, the methods judged most efficient to collect them were documents analysis and semi-structured interviews (an open-ended discussion with the researcher). Documentary data were collected from various sources (government publications, companies and industry publication, newspapers, reports by civil society groups, etc.). Table 8 presents the documents collected and their usefulness for the research:

Documents	Sources	Value for Research
Press releases; CSR reports; Annual reports and accounts of C1, C2 and C3 from 1980 to 2012	Participants gave me the documents; Organisation websites;	Company history and major events; shareholders and directors data; CSR activities and CPAs; corporate structure; evaluation of the firm's social capital.
Press clippings; academic publications; publications from: civil society actors, trade association, UK government, United Nations, European Commission, industry related think-tanks, policy-makers' speeches, UK parliamentary enquiries written and oral evidences, House of Common debates.	Libraries; Hansard debates (House of Commons and House of Lords); Parliamentary reports (written transcripts and videos);	Salient societal issues that put pressures on industry; tracing of changes in social norms, the regulatory environment and the industry response; identification of public-private partnership projects; records of attendance to charitable and political events organised by case companies, policy-makers, think-tanks or charities.
Electoral commission; press clippings; think-tank annual reports; MPs and Lords' Register of Interests; Lobbying Register.	House of Common reports.	Direct and indirect donations to individual politicians or political parties, revolving door, companies' social capital.

Table 8: Documentary Sources

The second source of data was semi-structured interviews with key participants. These included anecdotal stories, recollection of events and personal views of participants. These primary data provided an understanding of the complex processes that could not be seen from outside the firms.

Whilst the semi-structured interview method allowed participants to express freely in their own words their view of reality, documentary data helped in finding supplementary information, filling gaps and corroborating or refuting data from interviews (Taylor and Bogdan, 1998).

All interviews were preceded by the review of documentary data in order to get a background on the case company, establish a chronology of events, and identify key stakeholders within and outside the company. This gave a contextual background to develop an interview schedule (see Appendix 1).

The schedule was used as a template to ensure the same structure be followed for each interview. But because the case companies had distinct characteristics, the interview questions could not be generic. To maintain the general structure of the interview guide, questions were grouped under three themes derived from the literature, the conceptual model and the researcher's pre-understanding of the case companies' history:

1. CSR: determinants of CSR activities, Key Event and types of activities (when, why, and how).
2. CPA: determinants of the political activities of the company and types (when, why and how).
3. Business-Government Relations: how government's decisions affect business activities and companies respond.

The semi-structured interview method is flexible, so questions could be added or removed from the interview schedule to explore in-depth information that emerged during an interview. And with the research being retroductive, data collected from previous interviews were used to guide new ones. This use of the constant comparison technique added rigour to the study as it allowed the analysis of the same events from the perspective of different participants.

3.3.2 Participants

To find a sample of participant for each case company, I targeted the individuals who could have in-depth knowledge of their CSR and political activities. I looked for the companies' internal stakeholders (e.g. CEO, CSR Director, etc.), and the external stakeholders who participated in the design and implementation of CSR and CPAs, or were targeted by them (i.e. trade associations, regulators and clients). Since the three companies belonged to the same industry, it was expected that they faced similar environmental, social and political issues. Thus they had to have the same stakeholders for some Critical Events who if interviewed, could provide information on the three case companies at once (e.g. government officials, civil groups).

In 2009 I concluded two separate pilot interviews with two participants. These were senior managers of two construction companies that I knew personally (participants #ID5 and #ID6 in Table 9). One interview was conducted face to face and the second by telephone. Both were recorded with a digital recorder. As per Pettigrew's (1997) research process model, this preliminary data collection was not a pilot case study, but pilots aimed at testing the interview schedule. Another objective was to become familiar with the practice of CSR

and CPA in the industry. It would ensure that during the main phase of the research, I would be better in probing participants.

After the pilots, I revisited the interview guideline and questions. I then drafted a list of people to interview for the main phase of the research. Using my personal contacts and information from documentary sources (government and companies' reports, civil groups' publications, press clippings, etc.), 33 people were identified. Each one was sent a letter, inviting him/her to participate to the PhD research by granting me an interview (see example of a letter in Appendix 2). 33 letters were sent; non-respondents were followed up by emails and telephone calls. 15 positive responses were received.

To summarise, between 2009-2011, 15 interviews and two pilots were conducted with representatives of nine organisations. Seven were face to face (at the participants' office or home), nine were conducted by telephone and one by "telephone-email" (the participant agreed to do a telephone interview, and then chose to answer to the questions by e-mail).

Participant ID	Organisation	Participant Job Title	Interview Method, Date	Interview Length	Relevance for study
ID#1	C1	Ex-Director	Face-to-face, 30 October 2009	87 minutes	C1
ID#2	C2	Director	Telephone, 22 October 2009	52 minutes	C2
ID#3 & ID#4	C3	Director & Manager	Face-to-face, interviewed together, 13 November 2009	84 minutes	C3
ID#5	C4 (pilot)	Director	Face-to-face, 14 September 2009	99 minutes	Knowledge of industry
ID#6	C5 (pilot)	Director	Telephone, 23 September 2009	28 minutes	Knowledge of industry
ID#7	C3	Director	Telephone, 03 August 2011	49 minutes	C3
ID#8	C1	Ex-Director	Telephone, 06 July 2011	62 minutes	C1
ID#9	C2	Non-Executive Director	Telephone, 27 June 2011	42 minutes	C2
ID#10	CSR Consulting Agency	Director	Telephone, 04 August 2011	54 minutes	C1, C2, C3
ID#11	CSR Consulting Agency	Director	Telephone, 05 August 2011	28 minutes	C1, C2, C3
ID#12	Central Government Department	Senior Civil Servant	Telephone, 27 July 2011	56 minutes	Knowledge of industry
ID#13	CPA Consulting Agency	Director	Telephone, 08 September 2011	40 minutes	C1, C2, C3
ID#14	C1	Ex-Director	Face-to-face, 24 July 2011	80 minutes	C1
ID#15	C1	Ex-Non-Executive Director	Face-to-face, 22 July 2011	96 minutes	C1
ID#16	Trade Association	Director	Face-to-face, 24 August 2011	39 minutes	C1, C2, C3
ID#17	C1	Ex-Director	Telephone-Email, 19 September 2011	N/A	C1

Table 9: List of Participants

3.3.3 Ethics

Prior inviting the 33 individuals to participate to the study, approval was sought from the University of Wolverhampton's Ethical Committee. Following the guidelines of the committee, participants were assured to have their identity and responses anonymised, that they would receive a copy of the interview transcript, and that the PhD thesis would be withheld from the public domain

for two to five years. To respect the confidentiality and anonymity of participants, any direct quote used in this thesis has been made non-attributable. Original job titles have been replaced by generic titles for senior management positions (directors), and management positions (managers). Details of documentary data, including sources, are not provided to prevent identification of these publicly available documents. The names of companies, locations or individuals given by participants may have been left identifiable, or replaced with pseudonyms or the term “[*anonymised*]” depending the risk of distorting data by too much anonymisation.

Prior to each interview, the permission to record the interview was sought and obtained from the participant. Each participant was reminded that he or she could decline to answer any particular question. All the interviews were recorded with a digital audio recorder; the recording ensured that the data were collected and stored in their original form. It also made it easier for me to focus on the interview during the conversation. Each interview was transcribed into a text document and a copy sent to the participant to verify the accuracy of data, and to add additional comments if desired. Interestingly, when questions regarding corporate political activities arose during the interviews, out of the 15 participants, one asked to talk off the record from time to time (the audio recorder was switched off and with consent of the participant I wrote down the answers on a notepad). Another participant declined to respond to questions on this topic. Considering the changes in elocution and body language during that part of the interview, the majority of participants were generally careful in their responses. Out of the 12

participants who sent comments about their interview transcript, one deleted information from the original transcript, probably after considering having disclosed controversial or sensitive information.

3.3.4 Data Analysis

Since this research involves multiple case studies, there are two stages of data analysis: (i) within case analysis where each case is treated as a comprehensive research unit itself and, (ii) across case analyses where findings from each case are compared to unveil patterns, deepen the understanding of the phenomenon and answer the research question (Yin, 2003). Since the objective of qualitative data analysis is to identify themes and patterns embedded in the data, I followed Miles and Huberman's (1994) process of data reduction, data display and conclusions drawing. These three activities were ongoing during the data collection. The first step, data reduction, involved selecting, simplifying, and abstracting the text from interview transcripts by coding the textual data. Coding consisted of putting keywords and categories against data (words, phrases, sentences and entire paragraphs) that represent a similar concept or topic, in order to facilitate the search for patterns. The coding was done in accordance to the retroductive logic, that is by mixing *a priori* coding (i.e. a provisional start list of categories) and inductive coding (categories grounded in the data, created while examining the transcripts). *A priori* categories were deduced from the characteristics of the phenomenon studied, mostly the constructs represented in the conceptual model, in addition to the topics covered in the interview questions and my personal experiences of the construction industry (Dey,

1993). The two techniques used to induce categories from data included (Ryan and Bernard, 2003):

1. Repetition: recurring topics in the data.
2. Metaphors, analogies and linguistic connectors: people often used figures of speech to illustrate their thoughts and experience, and their analysis revealed topics. Similarly, the analysis of connector keywords such as “if”, “because”, “instead of”, “after”, “before”, etc. allowed the identification of topics and their connections.

Phrases, sentences and paragraphs of each transcript were first assigned to the *a priori* codes, and any text that did not fit them was assigned to a new one (i.e. a new category or sub-category was created that represented the concept embedded in that text). The transcripts were then reviewed in light of the newly identified codes, and all the categories revised (see excerpt of a transcript in Appendix 3). After this revision, the categories were grouped into clusters/themes that reflected their commonalities (Miles and Huberman, 1994; Harry et al., 2005). Finally ‘core categories’ were drawn from the clusters. A core category is central as all the other categories in its cluster can relate to it. In a multiple case study research, the label used to describe the ‘core category’ must be sufficiently abstract to be used in each case study (Strauss and Corbin, 1998). Appendix 4 presents the codes and categories that emerged from the within-case analyses, with the data codes synthesised by meaning of their concept to make easier their understanding for the reader.

To facilitate the analysis of data, especially the phase of data display where data are organised to uncover patterns more easily, different data analysis software are available to assist researchers. They range from the simple text-storage and counting such as TextPack PC software, to those with more advanced features such as Decision Explorer, Nvivo, MAXQDA, Atlas.ti, HyperResearch, and the free open-source programme Weft QDA. The most popular ones used by academics are Nvivo, MAXQDA and Atlas.ti because of their features (e.g. direct use of video and audio data source, kappa calculation to determine reliability, creation of master lists and family trees, text merging, etc.), and availability in academic institutions. Given that the sole objective of using a software is to ease the process of qualitative data management and analysis, each researcher should use the one that fits his or her needs (Bazeley, 2009). After testing the different software, I chose to use Weft QDA over the popular ones like other researchers before me (e.g. Lestrelin, 2009; Ishikawa et al., 2011; Walters, 2011; Goodwin and Gouldthorpe, 2013). I chose this software because it was faster to learn, easier to use and its features were sufficient for this study (e.g. import document plain text or PDF, multiple categories creation and family-trees, retrieval of coded texts, comparison of coded texts within categories). Figure 8 shows a screenshot of a coded transcript:

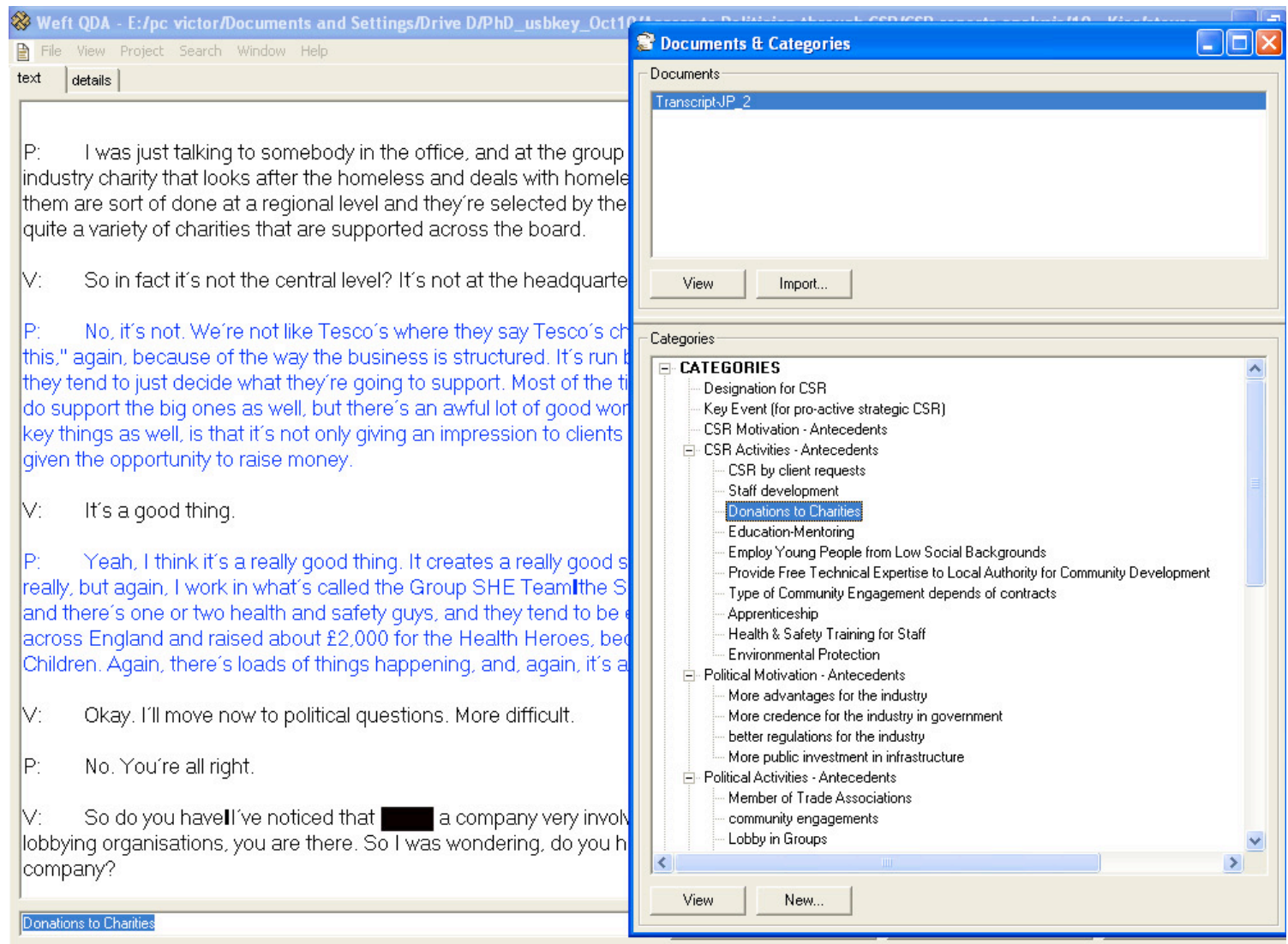


Figure 8: Screenshot of a Coded Transcript in Weft QDA

Once the individual analysis of each case was concluded, the cross-case analysis began. To ease the comparison of the differences and similarities between the cases, the findings of the three case studies were compared using a matrix displaying the categories found in each individual case analysis. From these comparisons emerged the final findings of the research. Finally, the last stage of the research consisted in comparing the emerging concepts with the literature, and to address the discrepancies and similarities

(Eisenhardt, 1989). This is discussed in Chapter 5. Figure 9 illustrates the data analysis process of the research:

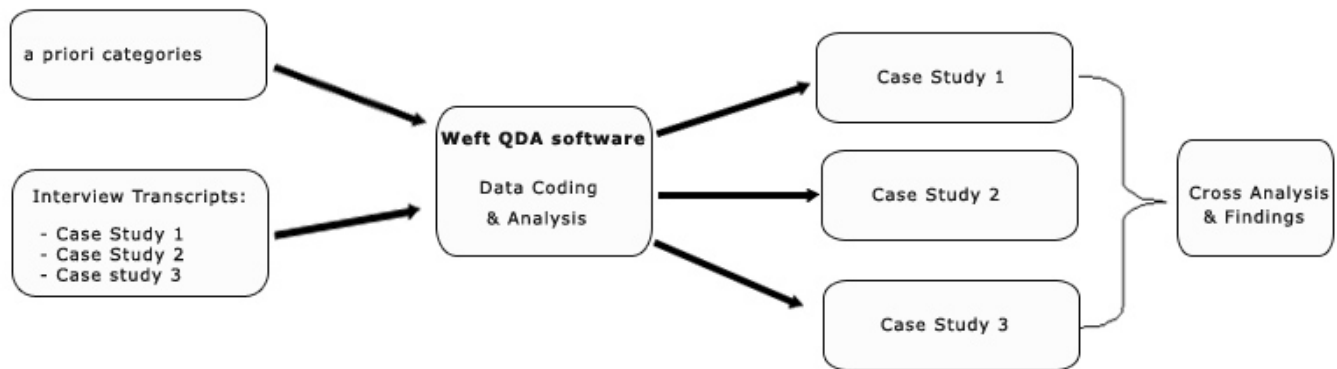


Figure 9: Data Analysis Process

3.3.5 Trustworthiness

In qualitative research, “how accurately the account represents participants’ realities of the social phenomena and is credible to them”, determine the validity and rigour of a study (Creswell and Miller, 2000, p.124-125). For Lincoln and Guba (1985), when demonstrating the effectiveness of their work, constructivists should use a different terminology from the conventional one, in order to distance themselves from positivists. ‘Trustworthiness’ rather than the common positivist term ‘validity’ is the term to be used by qualitative researchers. The criteria that a research must meet to achieve trustworthiness are credibility, transferability, dependability, and confirmability. Table 10 summarises the different tactics available to researchers to meet these criteria.

Criteria	Description	Tactics
Credibility	Refers to the accuracy of data in terms of the research questions, and the methods of data collection and analysis. Also the extent to which the studied people see the study's findings as an accurate description of their worldview.	Field experience; reflexivity (field journal); triangulation; participant checking of data; peer examination; interview technique.
Dependability	Refers to the extent to which the research instruments would produce the same results overtime across multiple occasions of their use.	audit trail; description of research methods; stepwise replication; triangulation; peer examination.
Transferability	The extent to which the study's findings can be generalised.	Nominated sample; dense description of research participants and context.
Confirmability	The extent to which the findings can be traced back to the data without subjective biases.	Triangulation; audit trail; reflexivity.

**Table 10: Tactics to Establish Trustworthiness in Qualitative Research
(Krefting, 1991; Denscombe, 2007)**

To ensure credibility and conformability in this research, triangulation - the analysis of a research question from multiple perspectives - was used to corroborate facts and confirm the accuracy of data collected (Jick, 1979; Guion, 2002). The value of triangulation lies in providing better evidence to have alternative understandings of a situation and build meaningful explanations about the phenomenon. Nevertheless, there is always a risk of inconsistency of data from multiple sources, which can be ambiguous and contradictory. Moreover, even when there is convergence of data, it does not

guarantee the cancelation of biases inherent in the source, methodology or the researcher (Mathison, 1988). For instance, a participant could recall a Critical Event and provide evidence from his/her perspective, but another participant could state different facts for the same event. To overcome conflicting statements from participants, Guion (2002) describe five types of triangulation useful to researchers:

1. Data triangulation: the use of multiple sources of information to increase the trustworthiness of a study.
2. Investigator triangulation: the use of different investigators in the data analysis phase of the research.
3. Methodological triangulation: the use of multiple qualitative and/or quantitative methods.
4. Theory triangulation: the use of professionals from different disciplines to interpret a single set of data.
5. Environmental triangulation: the use of different settings or locations related to the environment in which the research takes place, such as time, day, or season.

Since this research is a PhD thesis, a training in academic research that requires the researcher to work alone, investigator and theory triangulations were not appropriate. Only methodological triangulation (interviews and document reviews), and data triangulation (different data sources in multiple case studies) were used. The participants' statements were compared and cross-checked against each other and documentary evidence during their collection and analyses (Yin, 2003).

To reinforce credibility, I have also controlled the interview technique. Each interview was recorded with a digital audio recorder with the consent of the participant. The fact that the participants were guaranteed anonymity increased data credibility as it gave them more confidence to talk about the phenomenon. Often when transcribing the recorded conversation, some of the participants' exact words were inaudible, but did not prevent from understanding the meaning of the full sentence. Each interview was transcribed and sent to the participant for review, approval and comment. In doing so, participants helped to correct the researcher's mistakes and misunderstandings, guaranteeing an accurate description of events from the participant's perspective. Reports from documents, and statements from participants, are presented in the form of quotes in the case studies. These show the phenomenon from the participants' perspectives, not the researcher's.

Some may argue that not checking for inter-coder reliability undermines the study's credibility. However by nature of the PhD research program, I had to work alone. Moreover reliability does not guarantee the validity of results (Dorussen et al., 2005). "There are as many ways of 'seeing' the data as one can invent" (Dey, 1993, pp. 110–111). As shown by Jehn and Doucet (1996, 1997), the use of different coding techniques on the same data by the same researcher can produce different categories, which lead to different results. Hence more coders do not guarantee more reliability or trustworthiness. I consider that my knowledge of the construction industry based on my professional experience, and the knowledge of the CSR and CPP fields based

on the literature review and interviews, gave me sufficient insight to code and analyse data better than several coders with less knowledge of the fields and industry (Milne and Adler, 1999).

Regarding the confirmability of the research, it must be recognised that whatever the philosophical position adopted for a research, data are always the product of a process of interpretation because, “no research is ever free from the influence of those who conduct it” (Denscombe, 2007, p.300). The explanation of steps taken at each stage of the research, plus the original interview transcripts should constitute an audit trail for the readers who can check the confirmability of the research (Miles and Huberman, 1994).

The use of pattern matching, achieved by the constant triangulation of data gathered contributed to enhance the dependability of the research (Lincoln and Guba, 1985). Regarding the transferability of the study, statistical generalisation is not the goal of the case study research. Instead theoretical generalisation is sought to develop analytical frameworks that explain phenomena (Eisenhardt, 1989; Marsh and Smith, 2001). There are four types of generalisations possible from case study research (Walsham, 1995):

1. The development of concepts: a concept is a new idea that emerges from data analysis.
2. The generation of a theory: a theory, often expressed as a conceptual model, is a collection of concepts and propositions.
3. The drawing of specific implications: implications are suggestions of what might happen in other similar instances.

4. The contribution of rich insight: rich insight is anything else that we might learn from a case study that does not fit the three types above.

We may say that the conceptual model developed by this study through several case studies develop a theory on the link CSR-CPP. The same way that multiple experiments strengthen experimental research findings, the use of multiple case studies in this research strengthened research findings, so the prospect of transferability is possible (Yin, 2003). The question the reader should ask him/herself is not 'to what extent *are* the findings likely to exist in other instances?' but 'to what extent *could* the findings be transferred to other instances?' (Denscombe, 2007). Because there has been little research on the phenomenon investigated, readers will have to consider their own experience, the prior studies related to the phenomenon, the interviews and the descriptions of the contexts surrounding each case study to answer this question.

3.4 Chapter Summary

This chapter has presented the philosophical orientation of the research, the methodology and methods applied to it. How the research was designed to ensure its rigour and robustness has also been described, through the explanations of decisions made at each phase of the research. The following table summarises the important elements adopted:

Elements	Researcher Position
Ontology	Subjectivism
Epistemology	Constructivist-realism
Research Methodology	Exploratory and qualitative multiple case studies
Research strategy	Retroductive
Unit of Analysis	Case company
Data Collection Methods	Semi-structured interviews and documents

Table 11: Summary of Dimensions of Research Methods

In the next chapter, the key findings derived from the three case studies are presented.

Chapter 4

Within Case Analysis

4.1 Introduction

The cases are an account of a collection of themes that emerged from interviews and documents collected as described in Chapter 3. The report format of case studies is the same, structured around the core categories to make their comparison easier in the next chapter. The format consists of five sections: a description of the case company background followed by a description of the Key Event and subsequent Critical Events, the state of the company's CSR and political activities at the time of the Key Event, and finally the effects of the Key Event and Critical Events on the company's CSR and political activities. The case ends with a discussion of the effects of CSR on CPP and a summary of the main findings.

Following insights from the literature review, prior to a presentation of the three case studies, the political environment of the case companies and the construction industry in general must be put in the national context. It will provide the background and a better understanding of the determinants of each case company's Key Event and Critical Events. Thus the next section will describe the industry's characteristics and the rise of CSR awareness within it. The section will present the macro and meso Critical Events that had a major influence on the case companies to integrate CSR in their operations, and the types of CSR practised. The time period is up to 2005 in this section

because by that time, practitioners, scholars and participants agree that CSR had become mainstream in the industry (Doane, 2005; Greenbiz, 2006; Maguire, 2011; Dashwood, 2012). The within case analyses in the subsequent sections will emphasise the Critical Events and Key Event at the company level.

4.2 Industry Background

4.2.1 Characteristics of the British Construction Industry

The construction industry is large and diverse. It is characterised by the temporal nature of work (a construction project can last from a few weeks to several years), the fierce price competition between suppliers, the quasi-monopoly position of the public sector as a client (it accounts for 30 to 40 percent of the industry Gross Value Added each year), and the long-term impact of the end-products (e.g. new dwellings and office buildings) in communities such as energy consumption and the health, work and social life of residents (Department for Work and Pensions, 2009; Martinuzzi et al., 2010; Maer, 2011). The most striking feature of the industry is its highly fragmented nature. Any given construction project requires professionals from different trades to work together (architects, main contractors, civil engineers, electricians, material suppliers, etc.). Each trade represents a mini-sector within the industry, and faces particular challenges of its own. Because each mini-sector pursues its own interests, the result is an industry made up of coalitions of different trade groups, where conflicts of interest are rife. Due to this fragmentation and the low barrier to entry, over 90 percent of registered British construction firms are small enterprises that employ less than 14

employees. The top 10 contractors have less than 15 percent of market share altogether, with the largest one, Balfour Beatty, having three and a half percent (Carassus, 2004; Jones and Comfort, 2006; House of Commons - Business and Enterprise Committee, 2008). By way of comparison, the UK grocery market has four companies (Tesco, Sainsbury's, Asda, Morrison's) that account for 75 percent of the market (Kantar Worldpanel, 2012). The fragmentation and large number of small firms in the construction industry make it difficult to politically organise the industry, and lobby the government collectively by speaking with a single voice. In addition, small firms lack the slack resources to invest in CPA by themselves. For these reasons, collective action through trade associations is the main method of political engagement by the industry as a whole. Individual political activities only take place by the few large contractors when they pursue a government contract in competition with others, or when they try to lead trade associations, and by analogy their business sector, in a particular direction on a public issue (the case companies selected undertook individual CPAs). The following comments by participants capture these characteristics of the industry:

They're lobbying as an industry not as individuals. So it is different to say, the oil sector, where you have BP and Shell who will have different interests. For the industry it is rare now for an individual company, because they don't have time, they are not big enough, to lobby a particular point which will directly affect that company compared to others. (ID#[*anonymised*])

It's very rare that [civil servants and ministers] will just come to you, particularly in the construction industry, because the companies are not big enough. [...] There are a half a dozen banks that I go to because they represent the market. That's absolutely not true in construction. That's a major issue. Whereas if you're the Chairman of HSBC and someone wants to talk about banking regulation, they'll go and talk to you because they have to. If they want to go [to construction], 'oh, there's an issue that influences the construction industry. Who do I go and talk to?' It's not easy. (ID#[*anonymised*])

The participants agreed unanimously that the fragmentation of the construction industry made its CPAs less effective than those of other industries, such as banking, oil or automobile, which are more concentrated and have an oligopolistic structure.

On CSR, Martinuzzi et al. (2010) and Brown (2012) analysed the CSR activities and reporting of construction firms. They found that companies operating in that industry, particularly the main contractors who are responsible for the delivery of projects, are very conscious that they operate in a dangerous industry that has a high fatality rate and causes damage to the environment. So construction firms are very active in CSR. Since they face the same CSR issues and external pressures, these scholars found homogeneity in their CSR activities. These activities can be classified into three major themes summarised in Table 12:

CSR Themes	Main CSR Activities	Drivers
Environment	Adoption of codes of practices; certifications; employee training; waste and carbon footprint tracking; energy and water consumption monitoring; 'green' materials purchase; driving standards through the supply chain.	Environmental regulations (building material waste; air and water pollution; energy usage); climate change awareness in the industry; desire to reduce organisational costs and demonstrate efficiency by using fewer resources.
Social	Community programmes (charitable giving in cash and non-cash donations; school mentoring schemes; collaboration with local charities; promotion of local employment)	Desire to be a good neighbour because on-going construction projects have adverse effects on communities. There is a belief in the industry that dialogues and philanthropy prevent alienation and conflicts with local communities where projects take place.
Economic	Career in construction promotion (diversity and gender policies; staff training)	Skill shortage in the industry
	Health and safety promotion (employee training; safety record reporting)	Highest fatality rate of all industries in the UK
	Bribery and corruption reduction (corporate policies and procedures)	UK regulations

Table 12: CSR Activities in the UK Construction Industry
(adapted from Martinuzzi et al., 2010; Brown, 2012)

4.2.2 The Construction of CSR Awareness in the Industry

The election of Margaret Thatcher as Prime Minister in 1979 led to a liberalisation of markets and a less active role of the state in the UK (Wilding, 1992). The waves of riots in Britain's inner cities in 1981 encouraged her government to promote CSR to business. Michael Heseltine, Minister for the

Environment at the time, organised inner-city tours for business leaders and asked them to help the government solve community issues. He told them that the Government did not have the financial resources or the technical expertise to solve them, only the private sector had (Moon, 2004; ID#[*anonymised*]). Business leaders accepted his arguments because they wanted to retain their license to operate in communities where the riots took place, but also prevent potential regulations.

Companies fear that if they make no attempt to find solutions to community problems, the government may increasingly take on the responsibility itself. This might prove costly to employers both in terms of new obligations and greater intervention in the labour market. Many companies prefer to be one step ahead of government legislation or intervention, to anticipate social pressures themselves. (Confederation of British Industry (CBI), 1981, cited in Moon, 2004, p.10)

The Thatcher government, which was redefining the function of the state in the economy, began redefining the social responsibility of business in Britain. Many now well-known civil society organisations were set up at that time, such as the Groundwork Trusts in 1981, Business in the Community (BITC) in 1982, and Tomorrow's People in 1984. These government-sponsored charities, all business-led, were designed to stimulate business involvement into communities and reduce unemployment. This initial promotion of CSR by the Government targeted social issues only. From the mid-1980s onwards,

environmental pollution became more a salient issue for government ministers, fuelled by the activism of NGOs like Greenpeace. The Bhopal disaster in India in 1984, the Vienna Convention for the Protection of the Ozone Layer in 1985, and the nuclear incident in Chernobyl in 1986, alerted the European community to the danger of nuclear and environmental health hazards. The year 1987 was Britain's presidency of the European Community, and 1987 was designated the European Year of the Environment. Prince Charles was appointed the UK's Patron of this international event, aimed at raising public awareness on the environment and its conservation (Third Way, 1987; Duiker and Spielvogel, 2008). From that time on, Prince Charles aggressively lobbied the Government, overtly and covertly, to regulate and protect the environment. He formed a core team of environmental advisers who helped him to "put as much pressure on international agencies, governments, and so on, via speeches, lunches and dinners as possible" (Dimbleby, 1995, p.666). Members of this core team included directors of WWF and Friends of the Earth; Sir Crispin Tickell, the British ambassador to the United Nations; and Christopher Patten, the Environment Minister and later Chairman of the Conservative Party. The team carried the message within the government and the media about the risks of global warming, created by the greenhouse effect. The emerging theory was that carbon dioxide (Co₂) emissions were associated with the level of industrial activities, and contributed to climate change. To preserve the environment, the Government had to curb business growth. Thatcher took the issue seriously and the lead on it as she thought the environment was being used as a "Trojan horse" by the leftists for their anti-capitalism agenda (Thatcher, 2002; Monckton, 2010; Booker, 2010). In

October 1988, she made an iconic speech at the Conservative Conference, in which for the first time she stressed the need to protect the environment, but without sacrificing economic growth. A year later, at the United Nations, she urged industrialised nations to curb carbon emissions due the greenhouse effect, although the science was not settled on the risk for the planet yet (Thatcher, 1989). Following Thatcher's speeches, global warming became politicised. Governments around the world began publishing policy documents to find solutions to this global issue. In September 1990, the UK Government published its first environmental strategy in the White Paper⁶ *This Common Inheritance*. It suggested that to maintain economic growth whilst simultaneously reducing pollution and carbon emissions, the Government had to engage in a strategic dialogue with business on environmental issues. Self-regulation had to be promoted to business (Marinetto, 1995; Moon, 2004). Some charities like the BITC, which had been originally setup to address social issues in communities, began asking its corporate members to address environmental issues too (Grayson, 2007).

During the 1990s, the events and press coverage on the need to protect the planet from global warming (e.g. the Rio Summit of 1992), and the various high profile "name and shame" campaigns by environmental groups (e.g. Brent Spar in 1995), made the CSR debate centred on the environmental performance of companies. To engage the construction industry in the CSR-environmental debate, the British government and civil groups began framing

⁶ In the UK, following a public consultation, a government department sets out details of future policies on a particular subject in what is called a White Paper, which will be the basis for a new law. The White Paper gives the Government an opportunity to gather additional feedback from the public and other actors before it formally presents the policies as a Bill before the Parliament for approval (Parliament, 2014).

their messages in terms of economic opportunities in their dialogue with the industry's trade associations. For instance, pollution was to be seen as a form of waste due to business inefficiency. To care about the environment meant to care about business efficiency during construction projects to reduce costs. Construction clients with large property portfolios, such as local authorities and retailers like Marks & Spencer, would be more attracted to purchase buildings with higher environmental performances to save on their energy bills. Therefore, the ability to design and build greener houses and buildings could be used as a commercial argument when bidding on projects (Guy, 1997).

With the arrival of Tony Blair in Government in 1997, the Government as a regulator and the industry's largest client began promoting CSR more aggressively to business, as seen in the appointment of a CSR minister (Timms, 2002, 2004). Jon Mendelsohn, a prominent lobbyist embroiled in the cash-for-access scandal after the General election, advised his clients to "green" their image. In his own words: "Tony [Blair] is very anxious to be seen as green. Everything has to be couched in environmental language – even if it's slightly Orwellian" (Palast, 1998). According to Mendelsohn, companies that "greened" their operations had more opportunities to have access to government ministers.

During the same period, European procurement rules increasingly required companies bidding for government contracts to report on their environmental performance. The combination of regulations and commercial pressures gradually led construction companies to engage in environmental related CSR activities dictated by clients and policy-makers (Spring, 2003). A summary of

the notable macro and meso Critical Events that shaped the industry is presented below.

1. Environmental Protests:

During the 1990s, major protests took place against the construction of new motorways in the UK because of the environmental damages they caused (see case study 1). The high profile conflicts between the industry and environmental civil groups made construction executives more sensitive to the need for developing an environmental friendly image. The protests had the 'butterfly effect' to fuel the wider environmental and anti-globalisation movements of the 1990s. Throughout the country, campaigners staged protests on all major road projects and McDonald's stores were attacked. Due to the sympathetic media coverage of protests, the Government gave more consideration to CSR. In 1994 and 1995 respectively, the Government established the British Government Panel on Sustainable Development, and the UK Round Table on Sustainable Development to provide independent advice on CSR to the Prime Minister.

2. Name and Shame Campaigns:

In 1996, BITC began publishing in the Financial Times an annual CSR index of FTSE 100 and FTSE 350. The index benchmarked companies against their peers on the basis of their environmental performance in key management areas (BITC, 2011). The publication aimed at (1) raising awareness of environmental issues, (2) subtly naming and

shaming companies with a poor environmental performance, and (3) initiating environmental competitiveness between companies (Innovest Strategic Value Advisors, 1996). The rationale was that the chief executives of companies that were ranked at the bottom of the index would be pressurised into engaging with CSR. To raise their public image among their peers and investors, they would have to become more pro-active in CSR.

The publication had the desired psychological effect. The result was a profound change of attitude among property developers and main contractors, as confirmed by one participant:

The work [BITC] did on their survey was very influential—what they did for the first time was, undertake a survey and then publish the results in the FT [i.e. Financial Times]. So people, in a sense, were named and shamed. They didn't like it at all. That was the beginning of all my work in environmental governance, because I had a client who was in the FTSE 100, and I was talking to him one day—this is [*anonymised*]*—*and the then chief executive said, “We scored very badly in this. I'm not at all pleased about it, and I don't think it fairly represents what we're doing”. I said to him, “Well, why don't we try and find a way of expressing what you do better, and why don't we get a whole group of companies like yours to come together into a specialist property survey of this kind and benchmark each other”. That was the beginning of what was called the Property

Environment Group, [...] The Major Contractors Group [a trade association in which the three case companies were members], I persuaded them that it would be interesting to develop some kind of benchmark, for the response of major contractors to environmental governance, because in those days one must remember that “sustainability” as a topic had not really begun to kick in. It was mainly about environmental management.

(ID#[*anonymised*])

In 1998 the Major Contractors Group (MCG) began benchmarking the environmental performance of its members, and issuing guidance on CSR to all contractors in the industry. This created peer pressure on each member to invest in environmental management systems and develop higher standards of CSR.

Another name and shame event took place between 1998-2001, initiated by Michael Meacher, UK Minister for the Environment. He threatened to make environmental reporting mandatory if companies did not do it voluntarily. The result was an increase in the number of CSR reports published by large companies across industries (Adams, 2002). But this was not enough for the minister who carried out his threat. In 1999, the Environment Agency published a league table of the worst corporate polluters in the country. Balfour Beatty, the largest UK contractor, and a member of the MCG, was listed (Vidal, 1999). To protect the image the industry and prevent new actions from

environmental groups after their protests against road constructions in the 1990s, environmental assessments before large construction projects became a sine qua non for MCG's members.

3. The CSR Consultancy Industry:

This niche business sector that profits from promoting CSR to governments and businesses, emerged on the back of the 'name and shame' campaigns of the 1990s, e.g. the McLibel campaign (1990-2000); the Twyford Down and A34 Newbury Bypass anti-road protests (1992-1999); the Shell boycott (1995-1996); the sweatshop campaigns against Nike and Gap (1995-1998), and the Battle of Seattle (1999) (Klein, 2000; Bennett and Lagos, 2007; McSpotlight, 2010; Third Battle of Newbury, 2010).

60 percent of British CSR consultancy firms that exist today, ranging from sole proprietors to dedicated branches of multinational firms and civil groups like KPMG and WWF, were founded during that period (Fernandez-Young et al., 2003; Sadler and Lloyd, 2009). By the mid-2000s, CSR had become a new publishing field for traditional book publishers and academic journals. Specialised magazines were created and trade associations in various industries published articles, books and events on the topic. This constant promotion of a "CSR ideology" had the subtle and discursive effect to gradually institutionalise new norms and values in the social and political structures of the country. Slowly companies adjusted their behaviour to meet the new expectations of the British society.

4. Regulations:

Numerous regulatory events contributed to the institutionalisation of CSR in the UK. The main ones are presented in the table below.

Year & Event	Detail
1990 – Section 106	Since 1990, the Section 106 of the Town and Country Planning Act 1990 allows a local authority to ask a developer to provide social contributions to a community in the form of cash or benefit in kind, such as the provision of affordable homes, open spaces and funding for schools, in order to offset the negative impacts caused by the construction project. The use of Section 106 agreements has always been controversial as citizens see it as a tool by property developers to legally bribe government official, whereas the construction industry accuses elected officials to use this law for extortion and fund public services, from social housing to public parks, at no costs (BBC, 2012; Wainwright, O. 2014; ID#[anonymised]).
1996 to 2000 – Environmental Taxes	The Government introduced a landfill tax in 1996, followed by the Climate Change Levy in 1999 and the Aggregates Levy in 2000. These environmental taxes forced contractors to become more resource efficient.
1997 – Kyoto Protocol	The newly elected British government ratified the Kyoto Protocol, pledging to reduce the country's Co2 emissions.
1999 – CSR Reporting	The Government announced plans to make mandatory the publication of CSR reports. The legislation came into effect in 2005, but a year later the law was repealed after intensive CPAs by the business community and BITC, which favoured a voluntary approach to CSR reporting.
1999 – Corporate Governance Recommendations	The Government and the London Stock Exchange published the “Turnbull Report”. This corporate governance report recommended that companies, for

	risk management purpose, maintain a system of internal control (reputation, environmental and social audits). The document pressured executives of public listed companies to take CSR into consideration in their decisions.
1999 – Pension Act	The new Pensions Act required institutional investors to take companies' sustainability credentials into account when making investment decisions. As pension funds came to demand more information from business on their social and environmental performance, more companies published CSR reports. This legislation was a driver for the creation of the FTSE4Good share index in 2001 by The Financial Times and the London Stock Exchange. It is an index for socially and environmentally responsible investment.
1999 – Government's CSR Agenda	The Government published its CSR agenda in the White Paper <i>A Better Quality of Life: a Strategy for Sustainable Development for the United Kingdom</i> (Department of the Environment, Transport and the Regions, 1999). Tony Blair wanted to give more prominence to the social aspect of CSR, which since 1989 had been centred on the environment. In addition most corporate executives did not like the term "CSR" (ID#[anonymised]). The strategic document brought together corporate governance, environmental and social responsibilities under the umbrella term "Sustainability". Since then, "sustainable construction" has become a term widely used in the industry to refer to CSR.
2000 – CSR Minister	The Government appointed the world's first CSR Minister. It sent out a strong message that the British government was taking CSR seriously.
2006 – The Code for Sustainable Home	After three years of consultation with the industry, the Government launched the Code for Sustainable Homes. It provided a new set of standards for the design and construction of all new private homes and public buildings in England (ODPM, 2004a; 2004b; House of Commons Environmental Audit Committee, 2006).

Table 13: Macro and Meso Regulatory Events

The 1999 White Paper *A Better Quality of Life* was an important document for the construction industry. For the first time since the ratification of the Kyoto Protocol in 1997, the Government set out clearly its CSR agenda and identified the CSR themes for UK construction companies: design for minimum waste, minimise energy and pollution, preserve and enhance biodiversity, conserve water resources, respect people and local environment, monitor and report these CSR benchmarks (Department of Trade and Industry, 2004a, 2004b). Later the Government used these themes as criteria to select suppliers, and most construction companies also used them as guidelines to design their CSR reports.

After the publication of this White Paper, trade associations such as the Institution of Civil Engineers began promoting the “business case” for sustainable construction to their members. As regulations increased, more companies hired CSR consultants and trained their employees in environmental management (Sustainable Construction Task Group, 2000, 2003). Industry events reflected this new CSR consciousness, with the appearance of league tables and CSR awards by trade publications, for the most sustainable construction firms. All of these gradually institutionalised CSR in the industry, as companies came to integrate CSR within their business:

I think the shift from having to be persuaded to saying “Oh well, of course we have to do this”, I don’t think that really kicked in until about 2003, [...] from about 2003 through to about 2005 it all changed. And within a very short period of time, it became clear that this was a serious issue and people had to take [CSR] seriously. (ID#[anonymised])

This change in attitude from 2003 came particularly from a change in public procurements rules in the UK, which gave an advantage to companies able to showcase their environmental and social credentials (Spring, 2003). As some participants explained:

One of the reasons that they needed to do [CSR], *and this is important*, is that of course local authorities began to insist upon sustainability briefs on planning applications. (ID#[anonymised])

It’s very hard to quantify, but we know that [CSR] gives us a benefit. When we’re applying for work, we have to fill in some quite complicated long questionnaires which we’re marked against, and quite often the difference in scoring between various people who are bidding for work is 1% or 2% or 3%. So if you can score highly on the environment, sustainability, that might just give you the extra one or two marks over your competitors to get you in the door to price the work. (ID#[anonymised])

By the mid-2000s, expertise in sustainable construction techniques was acknowledged in the industry as a source of competitive advantage. Being able to provide sustainable buildings to clients allowed to price up products and services, without being affected by the traditional low cost competition that characterises the industry (Martinuzzi et al., 2010). One effect of construction firms becoming CSR-conscious for commercial reasons, was that CSR became a sensitive topic by trade associations ' members who used to share best practice:

We look at areas where we can add value by all the companies coming collectively around the table and talking about something...but we can only do that where there is no major competitive disadvantage to companies doing that. Now, in Health & Safety the companies have all said that there are no competitive issues. We'll share everything. In the area of sustainability and the environment, I still sense there are competitive issues...What isn't happening is companies coming together and talking so much about [their CSR] products, because I think there the elephant in the room is commercial tension. (ID#[anonymised])

The final notable meso Critical Event that contributed to the institutionalisation of CSR within the construction industry is the Private Finance Initiative (PFI) scheme.

5. The Private Finance Initiative:

The Private Finance Initiative (PFI) scheme, launched in 1992, is a government policy programme in which the public sector leases an asset or service provision (water, waste, telecommunications, transport, energy, education) from the private sector for a period of time, 20 to 30 years on average. At the end of the contract, the government can purchase the asset or own it depending the terms of the initial agreement. The advantage of PFI from the perspective of contractors is that it generates exceptional profits. In comparison to traditional construction projects where the average profit margin is two to four percent, in a PFI project the margin is 15 to 60 percent and even more if the contractor refinances its loans (Allen, 2001; McAlister, 2003; Public Accounts Committee, 2007). The three case companies in this study have all pursued PFI business opportunities.

By the end of the 1990s, with the Blair government that championed CSR and greater use of PFIs to fund public projects, the PFI scheme and Section 106 had given local authorities more opportunities to secure the provision of public goods (Pollock, 2005). CSR became a feature of PFI as the appointed companies had to operate in a community for decades. To win PFI contracts, construction companies had to accommodate the needs and requests of local policy-makers in

their bids (more details in case study 2 and 3). Therefore, in exchange for being awarded a PFI contract, a company had to engage in CSR activities that provided *political goods negotiated* with government officials. This observation is in line with the conceptual model in Figure 3, but brings attention on the understanding of the data collected: unknown to researchers, and the public at large, the provision of some public goods and services that construction firms present often as voluntary initiatives from themselves in their publications, are in fact legal and commercial requirements under Section 106. Because of the secrecy of commercial negotiations, an external observer cannot easily disentangle the discretionary CSR activities from the mandatory ones by reading government and business publications. The discovery of this fact during data collection was not much problematic because, as per the definition of CSR used and the extended pyramid of CSR in Figure 2, the understanding of what constituted a CSR activity was not restricted to voluntary CSR initiatives in this study.

To conclude, this section has presented the industry characteristics and the main macro and meso Critical Events that influenced the case companies and other firms in the industry to integrate CSR in their business operations. The main CSR themes and activities in the industry have also been reviewed. The changes observed in corporate social and environmental practices for the last three decades have been strongly influenced by external pressures from civil groups and policy-makers. The Government from the 1980s onwards used business to resolve social issues in communities. Then by making global

warming a policy issue, the Thatcher government propelled CSR from social to environmental management. It broadens the ranges of CSR activities that businesses undertook. The subsequent British governments continued to promote the phenomenon to construction businesses by combining regulatory threats, legislations and commercial pressures. CSR became gradually institutionalised and by 2005, construction firms had accepted CSR activities as part of their normal business operations. This finding supports the claim in the literature that CSR is a substitute for the welfare state in countries with a strong liberal economy (Matten and Moon, 2008; Gjølborg, 2009, 2011; Kinderman, 2012).

Having established this background on the industry, the next sections present the case studies, and focus on micro Critical Events.

4.3 Case Study 1

4.3.1 C1 Background

C1 is a public listed multinational construction company, specialised in the development and maintenance of public infrastructure. The major shareholders are investment banks and pension funds. Because most of its revenues come from regulated public sector clients, the company considers it critical to maintain regular consultations with policy-makers from central and local government, in order to contribute to the development of public policies that may affect its activities (C1 Annual Report and Accounts, 2009). The contractor was a pioneer in the industry to embrace CSR, and had a long experience of it by the time the interviews were conducted. All of these made C1 an interesting case with the potential to be both theoretically and empirically rich for the understanding of the relationship between CSR and corporate political power.

4.3.2 The Key Event: Protests Against Motorways (1990s)

After years of consultation with the Government, C1 began work on a new motorway. But the contractor met physical resistance from NGOs and local citizens on the site, who opposed the project on environmental grounds. C1 with the support of its client, the Department of Transport, used private security guards to protect its employees and remove protesters from the site. The violent confrontations that followed marked the beginning of environmental awareness in the British construction industry.

[It] was a learning curve for us, because we didn't really know what was going on. I mean, nothing like that had happened before. Building roads used to be a respectable thing to do. Then all of a sudden people were questioning why were we doing this and why were we doing that. We were saying, 'well, the Government wants a road there. We build the road and we get on with it'. (ID#[anonymised])

The protests on the construction site ended only when C1 and the Department of Transport won a court case against environmentalists. But by that time media reports of the confrontations, and the environmental damages caused by the project, had drawn criticism from the public and some politicians against C1. The company, and by analogy the entire construction industry, faced a damaged reputation for their economic activities that destroyed green fields.

4.3.3 State of CSR and CPA at the Time of the Key Event

CSR – Determinants and Activities:

Before the Key Event, C1 did not consider social or environmental issues the responsibilities of the firm. Legal compliance and corporate philanthropy were its only CSR activities. Still, it was strategic philanthropy because donations were only given when there was a clear benefit to the firm, or when the beneficiary was a favourite charity of the CEO.

[The Chief Executive] followed the things that he was personally interested in...he was not a great philanthropist. I can assure you of that. (ID#[anonymised])

[C1's] divisions were giving the money away if it would've been seen to be appropriate to that business. In other words, if the [anonymised] division was supporting charities, it had been motivated by self-interest. It would be basically buying relationships with whoever that could be helpful to them in terms of their [anonymised] operations. [...] You'd give money to local charities wherever you were operating so that they thought well of you. (ID#[anonymised])

CPA – Determinants and Activities:

The determinant of C1's political activities was the Government agenda. The Government has always been C1's main client because of its core activity, public infrastructure. The revenues of the company are therefore proportional to the level of expenditure by public sector clients, which themselves are dependent of Government's policies. For this reason, C1's executives met regularly with clients, ministers and civil servants, not only to discuss their needs in infrastructure, but also to influence their investments in capital projects.

There were huge government contracts going on all the time [during the 1980s], but whether it was in the roads or in defence

or in those sort of things, we were always on the tender list and we were always keen to make sure that people thought well of us.

(ID#[anonymised])

C1 proactively lobbied the Government when it pursued commercial opportunities. A participant gave example of a construction project:

The [Project X] was really pursued by the then [director] of the [anonymised] division. He sort of believed in it, and he had sat at dinner somewhere—a slightly apocryphal story but nonetheless, I think, has a basis in truth—and he was talking to the old chairman of [*anonymised*] who had been involved in the Labour government scheme of the early '70s. They sort of discussed the fact that it was a shame that it wasn't resurrected. In parallel were these sorts of thoughts and coming up—so [C1] took on the lead role to see if they could resurrect the idea of [Project X]. They joined forces with [*anonymised* - another construction firm]... I was at the meeting at [*anonymised*]'s headquarter office when we had the then [*anonymised*], who was the Minister of [*anonymised*] — and we tried to persuade him that it'd be a jolly good idea.

(ID#[anonymised])

C1 won work on [Project X] and throughout the 1980s, continued to pursue market opportunities by political means. As the Thatcher government privatised industries to reduce its expenditures, the context was favourable to

companies that behaved like what Yoffie and Bergenstein (1985) call “corporate political entrepreneurs”. Seizing the opportunity presented by the Government agenda, C1 with other companies used its social capital developed during [Project X] to persuade the finance ministry to create the Private Finance Initiative scheme:

I’ve been lobbying since about 1980 [for the PFI]. I can remember an interview with [anonymised], the Minister of [anonymised] in ’89. [...] [C1] was right at the forefront of pushing the thing. (ID#[anonymised])

Other than higher profits, another benefit of PFI for C1 was more political reputation: Due to its membership of the Government appointed Task Force that supervised the PFI scheme during the 1990s, C1 was an adviser to the Chancellor of the Exchequer. The contractor gained in social capital as it developed close relationships with senior civil servants in the finance ministry. A decade later, these political ties would help C1 to be recommended as the main Government adviser on sustainable procurement for the public sector (more details below).

The political activities of C1 at the time of the Key Event are best understood in the political context of the time. Political scientists agree that since the advent of neoliberalism in the 1980s, the successive British governments under Thatcher, Major, Blair and Brown, have promoted business interests and encouraged multinational companies to participate in the public policy-

making process (Grant, 2000). Policy-makers were keen to meet and exchange ideas with business leaders, and C1 was one of the leading construction firms:

It was part of the general procedure. There were meetings between ministers and industrialists. We used to organise such meetings from [*anonymised*] and we used to invite ministers to come to breakfast and talk to them about things that we regarded as important. It wasn't any sort of conscious effort to rearrange priorities. It was just regarded as the right thing to do to have industry advising the appropriate people in government. One was encouraged as an industrial leader to play a part in whatever the government wanted to talk about.
(ID#[*anonymised*])

C1, like many leading companies in their respective industries, took advantage of the Government attitude to promote its interests, chiefly securing government contracts. CPAs used to meet and persuade policy-makers included requesting face-to-face private meetings, invitations to corporate and industry events, responding to governmental consultations, testifying at Parliamentary Select Committees, and participations to PPP programmes. This latter CPA, PPP, was important because it gave opportunity to strengthen both C1's political ties and political reputation (social capital). PPP also gave opportunities to C1 to demonstrate its technical expertise on the issues debated. In other words, membership of a public-

private task group provided not only a political access to government officials, but also opportunities to practice "technical activity" to shape public policies. One example was with membership of the Advisory Council on Science and Technology (ACOST):

ACOST chose its own subjects to investigate and reported to the Prime Minister, and the reports that they wrote were published or not according to the Prime Minister's views of whether they should be or not. But [anonymised] had the nous, if you like, to make recommendations—the recommendations that were part of the reports that were written, to ministers privately, quietly, at dinner parties at [anonymised] headquarters. So the ministers could declare the advice that they had received from ACOST as their own ideas if they wanted to, without having to publicly admit that they'd been advised by ACOST to do it. It was a good way of promoting change—a very good way of doing it. It worked. A number of recommendations that were originally made to the Prime Minister and to her ministers by ACOST were implemented as ideas of ministers. Whereas the idea was actually planted in their heads, or reinforced one way or the other by ACOST, by this unofficial method. Maggie Thatcher knew that was happening, and sort of encouraged it really. (ID#[anonymised])

Other political activities employed by C1 included financial donations to the Conservative Party, and the appointment of former government officials to the board of the company as Non-Executive Directors (revolving door).

[With the political donation] we got the chance to talk to the Prime Minister and things like that. We got political influence.
(ID#[anonymised])

The construction industry generally was more in favour of a conservative government than it was in favour of a socialist government [...] In those days, I don't know what we used to give to the Tory Party, but we used to give them about £50,000 a year.
(ID#[anonymised])

It was the combinations of these political activities that allowed C1 to successfully participate in large construction projects and the PFI programme. But in the 1990s, shareholders complained about political donations as they view it as an unnecessary agency cost. They considered that the donations were made more for the personal benefits of the senior executives than for the company, and pressured the CEO to stop the practice:

[We stopped the donations] because you had to declare how much you were giving, and it was frowned upon by investors. [...] They] didn't see the benefit—absolutely. In fact, they thought

people like [the Chairman] were buying their knighthoods.
(ID#[anonymised])

Corporate donations to the Conservative Party stopped, but documents from the Electoral Commission revealed that senior executives continued the practice as private citizens. Corporate political donations also continued in the form of political event sponsorships and table bookings at political party conferences. Classed as entertainment and marketing expenses, these disguised donations were less open to scrutiny by investors or members of the public.

4.3.4 State of CSR and CPA after the Key Event

CSR – Determinants and Activities:

The Key Event had damaged C1's legitimacy and the company wanted to rebuild its public image.

Our wakeup call for the environment was when we had press and publicity; we were on the news with policemen chasing protestors across one of our sites. That's when the main board first woke up to the fact that environment mattered.
(ID#[anonymised])

Because there were significant public protests against the building of the motorway [...] Basically what that resulted in was

them taking the issue much more seriously, and that put environmental protection into the realms of corporate responsibility. (ID#[anonymised])

A new CEO was appointed after the Key Event. To restore C1's public image and mitigate future risks, he decided to make CSR prominent in the firm's operations, with an emphasis on environmental issues.

[C1]'s 'green' credentials arose from a defensive strategy. [...C1] were suffering from protestor action against road building and quarrying, which were damaging the company's reputation. They hid initially behind the company's actions were legal but began to realise that the public perception that [C1] was a destructive organisation needed to change. Therefore the environmental strategy evolved, which later became CSR and then Sustainability. (ID#[anonymised])

Whereas in the beginning the instrumental use of CSR by C1 was to defend itself from environmentalists, by the late 1990s with the emergence of the "sustainability" concept, the company began using CSR for branding purpose to differentiate itself from competitors.

Our move in this area has been driven initially by branding issues externally, and more recently by a desire to gain

business benefit from doing this, as well as it being the right thing. (ID#[anonymised])

To achieve these successive three objectives over time (improve public image, manage risks, differentiation from rivals), C1 undertook a range of activities during the decade that followed the Key Event, which involved a number of developments that transformed the firm. Firstly, after the Key Event, C1 purchased two environmental consultancy firms to acquire quickly in-house expertise in environmental management. Then C1 used this new subsidiaries to train all its employees in environmental protection. Environmentalists who had protested against the company were invited to meet the management team to discuss how they could co-operate and learn from each other. Since the Key Event, C1 has had a policy to always conduct environmental assessments on all the construction projects it bids for. It has become part of the company culture.

when we're putting a bid in, we ask what is the environmental impact? What is the reputational situation vis-a-vis the environmental impact and do we really want to go ahead with it? [...] We started to make the organisation environmentally aware. (ID#[anonymised])

Secondly, a few months after the Key Event, C1 recruited its first CSR manager and external environmental consultants to develop an environmental strategy. The company published its first annual environmental report a year

after these appointments. The report aimed at disclosing to the public the activities undertaken by C1 to protect the environment. The company also unveiled a new corporate identity with a new logo in green colours, to indicate its new environmental values.

Thirdly, C1 joined the BITC and engaged in high profile philanthropic activities under the auspice of BITC. The media coverage aimed at convincing the firm's stakeholders it had become a more CSR-conscious company.

In May 1999, the new Labour Government published *A Better Quality of Life* (see Section 4.2). This white paper was an official guide for businesses across industries to know which dimensions of CSR the Government deemed important, and the issues to tackle. C1 decided to align its CSR strategy to the Government's objectives outlined in *A Better Quality of Life*, and broaden its CSR activities, which had been since the Key Event focused on environmental issues. Since then, all C1's CSR activities have been grouped under three themes, namely environment, economic and social similar to the Government's White Paper. For marketing reasons, C1 also adopted the new terminology used by civil groups, the Government and clients to refer to CSR: "sustainability".

the word "sustainability" is just about beginning to get across—not in the mid-'90s, a bit later to be honest—but Sustainability is about to emerge as a subject. (ID#[anonymised])

[C1's CEO] was very keen that we move [from environment to sustainability]. As I said, putting the work we were doing with Business in the Community, with the work we were doing environmentally, and starting to talk about the Triple Bottom Line as opposed to just the bottom line. (ID#[anonymised])

In the early 2000s, C1 was listed in a Socially Responsible Investment (SRI) index, and the company published its first CSR report. C1 won many awards in the industry and was recognised as the leading sustainable construction firm in the country. To develop greater expertise in CSR and enhance both its public image and social capital, C1 used the revolving door tactic and appointed a well-known government official as external adviser, named here "Paul":

Having people like [Paul] on the advisory committee was a very good signal to the outside world and also was real advice to us—genuine advice. He was a really pragmatic man. (ID#[anonymised])

C1's association with this high profile individual had a significant impact on the firm. It changed the firm's perception of CSR. The knowledge brought by Paul encouraged C1 to view CSR as a means to do well (better financial performance) while doing good (benefitting stakeholders). From reducing energy bills to attracting better qualified employees, Paul convinced the

company of the business case for CSR, and to stop doing it only for risk management purpose as they had been doing since the Key Event:

The one thing that [Paul] always did from the time he sat on our sustainability committee right at the very beginning. He made sure we saw it all [CSR] as an opportunity. (ID#[anonymised])

C1 began using CSR to achieve a competitive advantage in the marketplace. For instance, the company discovered that community engagements as a CSR activity could be used to improve the work satisfaction of its employees, and win contracts:

One was that people doing it was good for their own individual motivation, and sometimes, indeed, for their personal development. And secondly, if we could then use those case records to put into work winning bids to when we were tendering for work, it would help us to win work. So the company was getting benefit out of doing it. (ID#[anonymised])

Since then, C1 has been putting more effort in its instrumental use of CSR to differentiate from the competition:

It took until around 2005 to hone the agenda to a manageable level when [C1] decided the sustainability agenda had to pass 3 key hurdles: 1) It would help win more work. 2) It would cut costs.

3) It would help attract and retain higher quality people.

(ID#[anonymised])

Today the CSR themes and activities of C1 are representatives of the ones found in the industry described in Table 12.

CPA – Determinants and Activities:

There was no much change in the political drivers and behaviour of the company after the Key Event. The company continued to maintain regular consultations with policy-makers and contribute to policy development, either to win tenders or prevent regulatory threats to its activities. The only noticeable change was that as C1 tried to improve its public image, it became more supportive of the environment in its recommendations to the Government:

What we would be doing would be lobbying on behalf of the construction industry or on behalf of the sustainability agenda.

(ID#[anonymised])

[The] Government would've just said bulldoze [the protesters] all away. They would be even further behind the curve [on CSR] than us, because they wanted a road and that was all there was to it and they wouldn't have thought differently. I think they think differently now, but at that time they wouldn't have.

(ID#[anonymised])

By working with Paul, C1 came to understand that it could advance its long term interests by taking positions on public policies for CSR related issues. In the industry, C1 was considered to be at the forefront of best practices in sustainable construction. By advocating and adopting by itself higher standards than those prescribed by regulations, C1 believed it could gain in public image, legitimacy and political reputation in the eyes of the public, NGOs, clients and government officials. More importantly, raising the standards would hurt rivals that were laggard in CSR, or with a lesser reputations than C1 when bidding for work.

We're using the flexible framework [of the 2005 Sustainable Procurement Taskforce] as our own measure, and by the end of 2010 we're expecting to be on level four on the flexible framework, which will have been in advance of where government is. So we'll be at a commercial advantage by taking advantage of legislation that's coming through.
(ID#[anonymised])

The type of political activities practiced by the firm did not change after the Key Event, but they were aligned to the new public image of environmentally friendly contractor that C1 attempted to create. C1 aligned its CPAs and CSR activities. The firm actively promoted its new stance on environmental protection. For instance, after the publication of C1's first environmental report, the CEO began speaking publicly at political party events on the need of more

CSR consciousness by government officials when drafting policies. As one of the leading contractors in the industry, C1 was often invited to private events and meetings organised by policy-makers, where he conveyed the same message.

[C1's CEO] would probably end up in Downing Street once a year to see the Prime Minister [...] he was somebody who would regularly be invited along to a Permanent Secretary sort of away weekend type thing. Be able to talk directly in each of the government departments. (ID#[anonymised])

The triangulation of data revealed that the “away weekend” was the Sunningdale conference. The Sunningdale conference is an exclusive three-day private event for the state and business elite that takes place once a year (Rollings, 2014). The data collected indicate that since the 1980s, one of C1's directors or commercial partners (e.g. an investor or co-opetitor in a construction project), has been attending the Sunningdale conference each year. During the event, senior civil servants and business leaders of the largest companies in the UK from all industries, develop a mutual understanding of salient issues facing the country through debates, while socialising in a private setting. It is a policy-making event outside the official policy-making arena that gives companies a privileged access to policy-makers without interference. Hidden CPP is exercised as the event gives time to build social capital and frame the agenda of future public policies. This is illustrated by the comments of a corporate manager after attending the event: ‘I have already taken advantage of the fact that we got to know people at

Sunningdale in smoothing out a little local difficulty – much quicker than would have been prior to Sunningdale!’ (cited in Rollings, 2014, p.924). Fooks et al. (2011) also found that British American Tobacco used the Sunningdale conference to meet the Permanent Secretary of the Ministry of Health and afterwards, developed a CSR strategy that aligned to and supported this policy-maker’s political agenda. Although the data collected do not give details on the benefits brought by the Sunningdale conferences to C1, we may nevertheless be certain that the attendance to the event contributed to the social capital of the firm.

4.3.5 Political Outcomes and Impacts of CSR

The Key Event affected C1’s public image. To repair it, C1 used its financial resources to acquire technical expertise in sustainable construction techniques such as lean construction (reduction in the use of material and waste during projects) and the protection of bio-diversity during projects. This knowledge in minimising its environmental impact benefited C1 politically from 1999 onwards, when the newly elected Government gave more importance to CSR. Supporting the Prime Minister’s green agenda became important for governmental suppliers. The agenda of the Blair Government for more CSR practices by businesses advantaged C1, because it had already acquired a considerable expertise since its Key Event years earlier. The Blair Government used intensely the PFI scheme to finance public infrastructure, and C1 had the commercial advantage to be one of the major contractors in the PFI market it had helped to create. Because the company was by nature

politically active and benefited of a political reputation, policy-makers were inclined to meet and listen to C1's recommendations on CSR-related policies for PFI projects, and the construction industry as a whole.

I remember being called in by [anonymised], Secretary of State for [anonymised], in early 1997 when we were just about to win the first [PFI project] that had ever been [anonymised], and the necessary legislation was not in play to enable the legal contracts to be completed, and [anonymised] the Tory minister basically said to me, "Look. Don't give up on us. Although you worry about whether the socialists, when they come in" because by then the Tories knew they were going to lose [the General Election], "but don't worry. I know that my successor wants this [project] to go ahead and they will put the legislation in place"... I suppose at the time and as a cheerleader for a government-type initiative [PFI], we must've been looked upon with favour. (ID#[anonymised])

From 1997, politicians believed C1's expertise in CSR and PFI could help them achieve their own political agenda. For instance, during the implementation of the PFI scheme in the NHS, one of C1's directors was seconded to the Ministry of Health. His duty was to advise and supervise the use of both PFI and CSR criteria in all the construction projects by the NHS. The PFI scheme and Section 106 benefited policy-makers, but also gave a

competitive advantage to companies like C1 with the expertise and reputation for CSR when bidding for projects.

The Key Event forced the company to transform its public image from a traditional builder to an environmentally friendly one. This image was in accord with the new expectations of society. Thus gradually, the company regained the legitimacy damaged by the Key Event. Between 1999 and 2004, trade associations from the industry produced a multitude of reports, case studies and events, which supported the Government's sustainable development agenda. They aimed at demonstrating the "business case" for CSR, and at changing the industry's perception on CSR, that it was no longer a cost but an opportunity. In many of these publications, C1 was portrayed as the leading sustainable firm that others should be inspired by.

Those companies that were seen to be taking [CSR] seriously and managing it well, their reputations grew at least within their own area of operation, amongst their own peer group, amongst the professionals that they worked with, amongst the people who they were trying to hire—that's quite important—so that they were thought to be good companies, the kind of company you'd want to work for, and I would think it was quite likely that they gained access to places which other companies might not have gained access to. (ID#[anonymised])

Concerning the political impacts of CSR activities after the Key Event, when viewed from a long-term perspective, the Key Event had the serendipitous positive effect to strengthen not only C1's corporate legitimacy, but its CPP too. As CSR became institutionalised in the late 1990s, construction clients increasingly looked for contractors with environmental credentials. C1 had a competitive advantage over its rival in this domain, with the technical expertise it had been forced to learn years earlier after its Key Event. In the industry, the firm was a pioneer on the instrumental use of CSR, gradually moving from risk management to branding and differentiation purposes:

In the late 90s, where we were really in the environmental phase, virtually nobody else in the construction industry was interested [in CSR]. They weren't interested. At best somebody paid a bit of lip service to it. We were by far and away the people who believed in it and intended to do something about it.
(ID#[anonymised])

CSR helped C1 win more contracts from clients in the public and private sectors, and reduce its costs by becoming more resource-efficient:

We saw all this environmental issue as a threat when we started on the journey, but I think with the likes of [Paul] and others, we've begun to see it as an opportunity, really, and we've definitely seen improvements within the company in terms of things like staff morale, cost of recruitment, as well as by

enthusiasm and getting them educated in this area. We've been cutting our energy...we have had clients tell us that our sustainability approach was the reason they gave us the job.

(ID#[anonymised])

C1 was a politically active firm due to the nature of its business, and the three political outcomes of CSR observed (i.e. technical expertise, public image, social capital) allowed C1 to have an impact on public policies. The following example will illustrate this impact. In the mid-2000s, the Government appointed a director of C1 as lead adviser of a PPP committee on "green" procurement. The recommendations from this committee were to be used to design new policies on public procurement for government agencies. According to participants, the rationale for this revolving door could be found in three serendipitous effects of the Key Event years earlier: firstly, C1 had gained considerable technical expertise not only in CSR, but in PFI projects too. The company was one of the architects of the PFI scheme and had good knowledge of public procurement. Secondly, C1 had a public image of leader in CSR throughout the UK, as seen in the prestigious awards won by the firm. Thirdly and more importantly, since the advent of the PFI scheme, C1 had built social capital for years with government officials in the finance ministry. It is the policy-makers in the Treasury Department who recommended C1 as lead adviser.

The participation of C1 to this policy-making process allowed the company to exercise hidden CPP by framing the agenda of the PPP, and by setting the recommendations to the Government. In other words, leading the PPP was a

“technical activity”. A participant acknowledged the exercise of CPP by C1 in this context: “In that strategic document, there were a lot of [C1] words in [...] so we have our influence there”. (ID#[anonymised])

The PPP’s recommendations that were accepted by the Government benefitted C1 in two ways. Firstly, having early knowledge of Government’s intentions on these future policies gave a competitive advantage to C1. The contractor revised its business operations in advance of the implementation of the recommendations. As put by a participant, C1 got “a commercial advantage by taking advantage of legislation that’s coming through” (ID#[anonymised]). Secondly, heading the governmental advisory group gave the opportunity to strengthen C1’s social capital. This mechanism of CPP could be leveraged in the future. One participant explained that the entire success of C1’s political activities had always relied on its social capital: “it’s a network, isn’t it?” (ID#[anonymised])

To date, through events, meetings and publications of reports, the recommendations of the PPP are still promoted to policy-makers by C1, trade associations and think-tanks that act like front groups for the firm to lobby the Government.

A surprising finding from this case study is that C1 has never been able to quantify in detail the contribution of CSR to its financial performance. It explains why its annual reports and CSR reports contain only descriptive accounts of its CSR activities. The belief in the existence of the business case nurtured by C1 rely on stakeholders’ feedbacks and logical deduction, e.g. if

the company reduces its waste by five percent a year it should save money, but by how much exactly C1 does not know.

4.3.6 Case Study 1 Conclusion

Legal compliance and philanthropy were the only CSR activities of C1 until the Key Event. The incident forced the company to add environmental management as a new CSR practice. Whilst this activity was initially a tool for risk mitigations, it turned out to be a source of competitive advantage when from 1999, the government began promoting actively CSR/sustainability. Environmental performance became a criterion to appoint government suppliers. C1 reviewed the scope of its CSR activities, renamed them under the umbrella term “sustainability”, the term used by the Government, and aligned its CSR activities to the Government’s objectives published in *A Better Quality of Life*. The CSR activities of the firm produced technical expertise, public image and social capital. These three political goods intertwined as one led to another. Together, they facilitated access to the policy-making process. By serendipity, C1 benefitted from its early engagement in CSR financially (e.g. winning of government tenders) and politically (access to policy-makers to give them technical advice on CSR; influence on public policies). We can therefore conclude that CSR had a positive impact on C1’s CPP. The evidence of this case study suggests that in the political realm, the political outcomes of CSR activities strengthen CPP when these activities are congruous with policy-makers’ agenda.

Table 14 presents the CPP mechanisms employed by C1 after its Key Event:

Forms of CPP	Visible	Hidden	Invisible
Instruments (CPAs)	Financial types of CPA by the firm and managers; informational and relational types of CPA	Front groups and third party sponsorship (e.g. trade associations); political ties; revolving door; participation to events for elite; PPP	Neoliberal ideology in the UK
Instruments (CSR Activities)	Philanthropy (event sponsorships; community programmes); membership of BITC and SRI index; PPP; revolving door; self-regulation	Technical activity; PPP; revolving door	Technical activity

Table 14: CPP Framework for C1

4.4 Case Study 2

4.4.1 C2 Background

C2 is a large private family-owned construction firm. The founding family is the major shareholder, and the current management team is a minority shareholder. The family business does all types of construction work for corporate and public sector clients, excluding public infrastructure projects. It only operates in the UK from a network of regional offices.

4.4.2 The Key Event: The 1999-2005 Public Policies

During the 1990s, C2 did not feel directly concerned by the environmental debate because its operations were not affected. It is only after the New Labour government published in 1999 its CSR strategy in *A Better Quality of Life* (see Section 4.2) that the contractor took interest in CSR.

[C2] was thinking about a sustainability strategy but when the Blair Government produced the White Paper in 1999, then we took it seriously. (ID#[anonymised])

The publication of this document led C2 to anticipate more emphasis on environmental criteria by clients from the public sector in their selection of suppliers. Consequently the contractor began implementing environmentally friendly solutions in construction projects. This new approach to work raised the company's public image. For instance, in early 2000s it was praised in a

joint report by the industry and the Government for its CSR practices. In 2005 the reporting of CSR became mandatory (see section 4.2), and the Climate Change Bill was introduced in Parliament. The bill made it legally binding for the UK to reduce its carbon dioxide emissions by 60 percent from 1990 levels by 2050 (the Bill was enacted in 2008). The Government had identified the construction industry as a major polluter in the country, with 27 percent of total greenhouse emissions in the UK coming from houses and buildings (Environment Agency, 2003). To make the industry provide more energy efficient dwellings, that same year the Government prepared the Code for Sustainable Homes as a voluntary rather than mandatory policy after consultation with the industry. The Code provided a set of voluntary standards for the design and construction of all new private homes in England (House of Commons Environmental Audit Committee, 2006).

In view of all these major changes in its external environment, in 2005 C2 took the strategic decision to fully embrace CSR and put it at the core of all its activities. The firm moved from a defensive and reactive attitude to a strategic and proactive one (Carroll, 1979; Wartick and Cochrane, 1985).

The more we saw of it, the more convinced we were that we had to be a carbon-reduction company. That's what we did and that's what we stuck to. (ID#[anonymised])

[C2] simply recognised [the CSR debate] was not going away, and because it was not going away, they recognised that if they

addressed it well, it would be good for the business, and I think that is part of the tipping point—when they realised that this isn't simply about complying with legislation and not doing anything you shouldn't. But when they realised it can make them money or it can win them contracts or it can improve planning permissions—all sorts of things like that—then that's when they became seriously engaged with it. (ID#[anonymised])

4.4.3 State of CSR and CPA at the Time of the Key Event

CSR – Determinants and Activities:

As a family-owned firm for generations, C2's values are rooted in those of the founding family. By tradition, the contractor has always tried to contribute to the economic and social well-being of communities where it operates. Legal compliance, improving the health and safety of employees through training, charitable giving and educational sponsorship (e.g. apprenticeships for the young unemployed, college endowment) were the main CSR activities of the firm.

[C2] engaged in a lot of social activities and particularly they took on a whole lot of 30 or 40 management trainees every year and then paid them properly, but they also looked after various other charities. (ID#[anonymised])

The company's values can be explained by the importance the family attaches to its reputation, like most family firms. Research shows that the preservation of socio-emotional endowment (e.g. identification with the firm that usually carries the family's name, enjoyment of control and influence by family members over the business) is a feature of family-controlled firms (Berrone et al., 2012). The firm is seen as extension of the family and therefore, family members try to maintain "a favorable perception of the firm in the public and thus enjoy the benefit of the positive spillover of public perception on the family" (Zellweger et al., 2011, p.3).

CPA – Determinants and Activities:

The data indicate that during the 1980s and 1990s, the CEO of C2, referred here as "Smith", was responsible for the political behaviour of the firm because he was himself a political activist. Smith had a personal interest in politics and was very active in this domain. A strong supporter of the Conservative Party, he was a high profile individual in the industry. As a board member of several trade associations, he met senior civil servants and Prime Ministers to brief them on the issues faced by the industry. C2 made an average annual donation of £10,000 to the Conservative Party according to the record of the political party. Smith also made personal donations to the Party himself; he was close to John Major and "spent a lot of his money supporting [him]" (ID#[anonymised]). When Major became Prime Minister in November 1990, Smith used his personal ties with him to gain more access within central government. Between 1991 and 1997 when the Labour Party got elected, the political reputation of C2 grew as Smith gave the industry

unprecedented access to senior government officials. A notable political activity was a series of fortnightly meetings between industry's representatives and ministers at the Treasury and Environment departments. C2 and its co-opetitors successfully promoted their common interests on issues that affected the industry, such as health and safety regulations, lack of funding for apprenticeships and training, and lack of government investment in public infrastructure. The result of this lobbying was what has been called the "Reform Movement" of the 1990s (Adamson and Pollington, 2006). Critics like Monbiot (2001) described it as the period of regulatory capture by the construction industry, as the Major Government responded positively to the industry's requests. Some public policies created to support the industry included the creation of the PFI scheme in 1992 (see case study 1); financial subsidies to export construction services and materials; the publication in 1994 of the Latham Report that sets the framework for the political reforms that the industry had requested for many years; and the secondment of C2's directors in government departments to supervise the implementation of these political reforms (Latham, 1994; House of Commons, 1995; Adamson and Pollington, 2006). During that period, C2 made use of the revolving door to appoint a reputed former government official as a Non-Executive Director of the company. He is referred below as "Brown".

When Smith retired in the 1990s, his legacy to C2 was not only to have transformed the family firm into one of the leading private contractors in the country, but also to have made it a very politically active company with considerable political ties and political reputation. Although at the time of

writing this case study Brown is no longer on the board of C2, he remains an adviser because he adds credibility to the public image and political reputation of the firm among clients and policy-makers (ID#[anonymised]).

4.4.4 State of CSR and CPA after the Key Event

CSR – Determinants and Activities:

Although C2 engaged pro-actively in CSR primary due to regulatory threats and trends in the market, another driver was the new belief by C2 in the business case for CSR. Gradually the firm came to view these external pressures no longer as threats or costs, but business opportunities. Influenced by industry leaders like C1, trade associations like MCG and the work of the CSR consultancy industry (see Section 4.2.2), the company came to believe that developing a public image of a sustainable contractor could become a differentiating factor to attract more customers. In the words of one manager: “sustainability creates one of the most significant opportunities for our business to create further differentiation between us and our competitors [...] Once carbon is a currency, governments and others will have to reduce their emissions” ([anonymised]). Another said:

What is the business case? Increasing reputation is all very well, but... you know, for example, as soon as you go to the board and say ‘if we do this, we are going to save a million pound at that date’, then they are all ears. Then, the next question they will ask is ‘that’s all very well, but how much do we have to

invest in order we can save?’ But once you go all over these questions where you can show that there is money to be saved, there is money to be made, then it is really a no brainer.
(ID#[anonymised])

C2 anticipated an increase in CSR related regulations for a low carbon future. The company believed that due to the 1997 Kyoto Protocol and the Climate Change Bill of 2005, the current and future British Governments would promote a low carbon economy. In addition, clients from the private and public sectors were increasingly interested in houses and buildings with lower carbon emissions. Based on this information, the company repositioned itself in the marketplace as an expert in low carbon solutions for the built environment. To gain the necessary technical expertise, C2 developed an in-house CSR consultancy business unit and recruited people expert in environment management. A CSR Director was appointed to the Head Office. A few years later, CSR managers would be appointed for each regional office. The first task of the CSR Director was to institute a company policy to use the term “sustainable development” in all corporate communication.

We ditched using corporate responsibility and corporate social responsibility from our vocabulary completely. I have never been keen on CSR on a personal basis [...] for me, the issue is about sustainable development and not about corporate responsibility. Corporate responsibility and CSR are part of sustainable development (ID#[anonymised]).

The CSR Director developed a five-year plan in which C2's CSR activities were divided along three themes, economic, social and environmental.

For anything under the environmental, we would have energy, waste, water, material, bio-diversity. For things under social, we'd have what we do in term of staff development, our policies, company values, and the way we deal with our health and safety... [for the economic] what we try to see is how we can increase [our] local spend in the area, which benefits in the local community. (ID#[anonymised])

To have legitimacy in the communities where it works is important for the family firm. This explains why C2 encourages its employees at senior level to volunteer and get involved in community initiatives, including business mentoring, charitable activities, and local school governorships.

A year after the appointment of the CSR Director, C2 published its first annual CSR report.

CPA – Determinants and Activities:

The legacy of Smith was to have made C2 a corporate political entrepreneur (Yoffie and Bergenstein, 1985). As C2 rebranded itself as a sustainable contractor and expert in low carbon building, it planned to enter the PFI market. To succeed, C2 enlisted the services of a public affairs agency that

aligned its political and CSR strategies. The political objectives were two-fold. By promoting its new public image in the ministries where the company planned to submit its bids, C2 would raise its profile and would be seen in a more positive light ahead of tenders. A positive public image and reputation for CSR would increase the chances to win PFI contracts. The second objective was to leverage the company's new expertise by developing political ties with policy-makers, and educating them on sustainability issues faced by the industry. The company would exploit the Government's sustainability agenda by lobbying for CSR policies that could give an advantage to C2, but were still in line with the objectives of the Government.

Like C1, C2 was a member of the trade association MCG (renamed the UK Contractors Group (UKCG) in 2009), which represented all the major general contractors in the country. The collective view of the members was that CSR could benefit their business, and lobbying for stricter CSR related regulations could be a win-win situation for the Government, society and their industry: regulations would force public and private sector clients to invest in greener houses and buildings; the contractors would benefit financially from the additional expenditure; and the UK would lower its carbon emissions as per the Government agenda.

I think all those things [regulations] if you address them, they are opportunities. If you don't address them, they're threat. So it is how you then look at all those different things as opportunities.
(ID#[anonymised])

If you have a government that says, for example, 'our overriding policy is a more sustainable economy' whatever that might mean, you are bound to—if you're lobbying for a change in tax law or a change in employment law or a change in health and safety law, you're bound to use that hook, because that's how you capture—and if you can demonstrate to a minister that this tax regime means that you can't be so sustainable because the tax regime is a barrier or it's getting in the way or it's distorting the market in a sense, then you've got a chance maybe...So whatever we're lobbying on, and whatever the colour of the government or whatever, we would want to try and find hooks to hang our arguments on which relate to something that they want to produce. (ID#[anonymised])

To reach their two political objectives, C2 and its public affairs agency monitored governmental consultations and Bills, and decided which ones to respond to:

There are lots of consultation documents that are coming from government, and we do not respond to all by any means, but we look at them and decide if this is a document we are going to respond or not. And the ones we respond, we basically challenge the process in terms of what we think should happen. (ID#[anonymised])

The company had a culture to encourage its senior executives, including the CSR Director, to spend “an appropriate amount of time” (ID#[anonymised]) lobbying the Government:

Another example that I am encouraged to do in my job for [C2] is to sit on a number of government private-public working groups, looking to influence government policies. For example I sit on the [anonymised] Task Force. (ID#[anonymised])

The CSR expertise in low carbon solutions facilitated access to the policy-making process on related topics. Other than technical expertise, other traditional CPAs supported hidden and invisible CPP such as the funding of think-tanks, the organisation of meetings with policy-makers at events, and the placement of articles in trade journals and mainstream newspapers to create false consciousness and influence stakeholders’ opinion according to ID#[anonymised]. One political activity that stopped after Smith’s retirement was the practice of financial donations to political parties. C2 now claims to be apolitical, but it is unknown if the family members or managers continue the practice as private citizens. To avoid public scrutiny and criticism, all major construction firms stopped making political donations after the victory of the New Labour party at the 1997 General Election.

The industry used to be heavily pro-Tory, and the Tories used to be pro-construction industry, big business. That changed a lot. We, as an industry, moved to much being sitting on the fence.

You don't see anything like as much political contribution now, all of which have to be declared in the Company's report and accounts. Another thing: I do think that any political donation, you are in great risk of undermining the credibility of your CSR policies. It won't be good news if the local press says 'xyz company is doing all this but don't forget they are a major Tory supporter'. (ID#[anonymised])

Another CPA used by C2 was the revolving door. After Brown, a second government official was appointed as adviser (referred hereafter as "Green"). Whereas Brown had political connections within government, Green was renowned in both Government and civil society groups for his CSR activism.

[Brown and Green on the company board help us] in terms of credibility. If [C2] were going to send a letter to a senior politician, or policy-maker, or senior civil servant or whatever, and we've had those letters signed by our Chief Executive and supported by either [Brown or Green], then I think these things are listened by the policy-maker because if they're not, then they risk challenges. (ID#[anonymised])

From 2009 onwards, C2 published position papers on how to achieve a low carbon environment in the British construction industry. The objectives of this thought leadership tactic were to demonstrate its expertise to all stakeholders, gain access to policy-makers, and advise them on the best methods to

achieve sustainable development through public policies concerning the construction industry. In other words, C2 engaged in “technical activity”.

In dealing with policy-makers specifically, what we've done recently is developing some papers, think pieces, on various subjects. [...] We then send these papers to the major political parties and senior civil servants, and do our best to meet with those people in order to demonstrate to them that perhaps there are better way to do things. (ID#[anonymised])

One of C2's recommendations to policy-makers was that public sector clients privilege suppliers that are environmental-friendly over those that are not. Another recommendation was to have stronger environmental regulations and penalties for companies that do not comply. These types of recommendations reveal the confidence the company had in its CSR expertise by 2009. They also show that C2 sought business opportunities through CSR related regulations. Stricter CSR regulations would benefit the company by (i) increasing the costs of laggard competitors in CSR and, (ii) by inciting construction clients to purchase low carbon consultancy services for the benefit of C2's in-house CSR consulting arm. One example of this attempt by C2 to exercise CPP by leveraging its technical expertise in CSR, is the creation of the Energy Bill. When C2 began publishing position papers, it became a member of the UK Green Building Council (UK-GBC). UK-GBC had been setup as a think-tank and front group by a coalition of construction companies to campaign for low carbon regulations. The UK-GBC's members

were motivated by the opportunities offered by the Government agenda to reduce the Co2 emissions of the UK. One opportunity contemplated by UK-GBC's members was the retrofitting of existing UK housing and building stocks. The low carbon retrofit market was estimated at £3.5bn - £6.5bn a year if "green retrofitting" was made mandatory (UK Green Building Council, 2008).

UK-GBC, funded by C2 and other construction companies, framed its messages to policy-makers in terms of economic growth opportunity, i.e. the existence of a low carbon retrofit market would create new jobs and reduce pollution. This followed the neoliberal ideology in the UK. The think-tank hired consultants to produce research that supported its arguments. One of the first UK-GBC's reports presented to policy-makers was *Low Carbon Existing Homes* in 2008. It recommended the introduction of a range of financial incentives to encourage tenant to refurbish their homes with low carbon technologies. One of the incentives suggested, later called the "Pay As You Save" (PAYS) scheme, was that homeowners should be given a loan to improve the energy efficiency of their house. The advocacy of UK-GBC succeeded and in May 2010, the elected government pledged to implement PAYS, renamed the "Green Deal". In December 2010, the Energy Bill was introduced in Parliament. It included clauses for the "Green Deal" and the retrofitting of buildings. It was a victory for the members of UK-GBC. C2 was one of the members to be awarded government contracts to install retrofit solutions on public buildings. After the members of UK-GBC achieved this common objective on retrofit policies, they now have to compete with each other to secure retrofitting contracts. In order to gain a competitive advantage

over its rivals in this new market created by regulations, C2 appointed government advisers who had worked on the Green Deal policy. They brought to the firm technical expertise and easy access to policy-makers by their social capital. As put by an participant:

If you have a reputation—you're known by people and positively thought of by people; when you talk as an expert or with an expert view, then they're much more likely to notice of what you say, rather than just, well 'who are you?' (ID#[anonymised]).

The creation of the “Green Deal” illustrates how the alignment of CPAs and CSR activities can have impacts on public policies.

4.4.5 Political Outcomes and Impacts of CSR

The first political outcome of CSR was technical expertise. After the Key Event, the strategic decision by C2 to fully engage with CSR led the firm to revamp its way of doing business by integrating the CSR concept into the company's culture and operations:

What we're trying to do in the Sustainable Development strategy is to build it as the umbrella and then everything, and I mean EVERYTHING, fits beneath it. So nothing fit outside the Sustainable Development agenda. And that takes time, even at [C2] we're still have like 'Sustainable Development ideas over

there, and we've got some other things over here'.

(ID#[anonymised])

To achieve a competitive advantage over its rivals, the company invested in new skills by recruiting experts in different areas, such as waste management and sustainable building engineering. By becoming an expert in low carbon, C2 created a platform that allowed it to gain easier access to politicians by “hooking its political arguments” to their agenda. C2 was able to provide critical resources needed by policy-makers in the political market, i.e. technical expertise to design public policies or to achieve sustainable construction projects.

There are some companies that for a variety of reasons have very large access [to policy-makers], and you could say that paying lip service to Government aspirations on sustainability actually helps them retain that access rather than sort of appearing to go head-to-head in opposing the Government.

(ID#[anonymised])

Regarding the public image of the firm, C2 has always made use of charitable giving, a tradition for the family firm, to create this political outcome. Each regional branch of C2 in the country sponsors local charity events, and organises networking receptions attended by local MPs and Council Leaders. These CSR related events provide opportunities to meet policy-makers and develop another political outcome, social capital. However philanthropy has

become more strategic over the years as public sector clients came to see community engagement programmes as a norm by contractors. Construction companies are expected to be philanthropist. The PFI scheme and Section 106 contributed to the institutionalisation of philanthropy in the industry:

[CSR in communities], I'm not sure it's philanthropic. I would say it's in the context more of things like planning gain. It's a bit like "I'm going to give you this contract and, therefore, what I want around it is, more that goes into the community than you just building a building. I want you to be part of that community."...PFI has added to that, but it's not just PFI. It's become a de facto standard in terms of client bidding processes to ask what you do in these areas. Again this comes back to being driven by clients and wanting more value out of that relationship than just building a building. Obviously, on PFI projects you're not just building a building. You're then probably going to go and run it for 25, 30, 40 years, whatever it may be. Therefore, your attitude as a citizen is fundamentally changing. You're not just a contractor who is delivering something for a client. You are actually going to be there and responsible and customer facing, which is very different. (ID#[anonymised])

When C2 bids for public sector projects, it identifies the community issues faced by the potential client, and includes in its bid the community projects that it will do to address those issues. The majority of C2's CSR activities are

market driven and therefore, strategically designed to achieve predefined objectives to satisfy the client.

What you are saying in term of influence [when you bid] is: 'If you choose us, we will be providing a number of apprenticeships on this particular scheme which will last for two and a half years. If you choose us, we will be providing a certain amount of money that will go into local projects. We will have an ambassador scheme, we will be linking into the local community, we will have one of our senior staff to volunteer to be a governor of a local school. So there are a lot of things that if you choose [C2], we will be doing in the local community.' (ID#[anonymised])

Therefore the community programmes of C2 are done with the expectation of winning business in that community. C2 uses these CSR initiatives as tools to create indebtedness and trade with policy-makers:

There is no way [C2] is going to provide these things to a community out of the goodness of our heart if there is no work for us in that community. (ID#[anonymised])

A practice used by the company to create indebtedness is to make donations to charities designated by government officials themselves.

One scheme we have is that on a city centre site, we are charging everybody that comes to our site, and everybody else that park their car each day near to. We then work with the council to decide which charity, from the money that is raised from this exercise during the project, the money is donated to. (ID#[anonymised])

It is not illegal but the client says 'if you want to be in our frameworks, you have to pay £10,000 to [anonymised]. One of the water companies is up to £100,000. Never mind, [anonymised] is a very good charity [...] so we will support charities that are relevant to either our client's industries, which [anonymised] is, or our own industry which will be something like Business Action on Homelessness [a BITC's program] (ID#[anonymised])

This CSR practice transforms charitable giving into an indirect financial donation to policy-makers, while creating indebtedness. Even if it is the policy-maker/client who requests these disguised donations to the contractor, indebtedness is still created.

To support its new public image after the Key Event, C2 became a member of BITC. By then, with the support of the Prince of Wales, BITC had become the most reputed charity in the promotion of CSR to businesses. Ministers have a high esteem for the organisation, which organises regularly events where

corporate leaders and policy-makers meet. For a company that desires to be portrayed as a leader of CSR in the UK, a BITC membership is an unofficial sine qua non.

Whether people have bought the BITC agenda directly or not, I don't know. I'm slightly cynical about it. [...] I think it's been successful in becoming a benchmark by which you are judged.
(ID#[anonymised])

Moon (2004) commented that companies that were members of organisations that promotes CSR such as BITC, received in exchange a symbolic badge of their public commitments for all stakeholders to see. The badge improves their public image and helps build good relationships with policy-makers and civil society. It mitigates regulatory and reputational risks, and at the same time enhances corporate legitimacy. As a corporate member, BITC advised C2 on its CSR strategy and a year later, the firm was listed in the influential BITC's annual index of Britain's top CSR companies. In addition to having Green on its board who already gave credibility to the environmental image of the company, the BITC's listing reinforced C2's public image as a sustainable business.

Regarding the political impacts of CSR, data indicate that the combination of political activities and the four political outcomes of CSR activities by C2 helped the company attracts new clients, improves the efficiency of its operations by eliminating wastes, and contributed to the creation of new

public policies such as the “Green Deal”. The company believe that CSR had a positive impact on its financial performance over the years since the Key Event, however the company C2 has only qualitative evidence.

[The benefits of CSR are] I think reputation, in terms of how we are seen in the marketplace by existing clients and new clients. I think in demonstrating economic benefits in terms of reduction of waste to landfill. (ID#[anonymised])

The first job we did for Marks & Spencer is an example of how we were asked to do a job because of our sustainable development reputation. [...] we think by the time we get by 2012 we will have saved at least £2m between 2010 and 2012 and moving toward zero waste landfill. (ID#[anonymised])

Another impact of CSR activities has been on its workforce. According to the participants, the involvement in community initiatives raised the employees' morale and job satisfaction. It also contributed to the company's public image of a good employer, which helps to attract and retain a qualified workforce.

4.4.6 Case Study 2 Conclusion

The retroductive research strategy employed for this study consists in moving back and forth between emerging empirical data. Therefore, by taking into account findings from the first case study at this stage, C2's results support the proposition that the political outcomes of CSR activities are CSR-based

mechanisms of CPP. The pressure from regulatory threats was the catalyst for a pro-active engagement in CSR by C2. As CSR became prominent on politicians' agenda, companies with CSR activities that could support politicians' objectives had an advantage for political access and for winning government contracts. The provision of political goods valued by government officials, sustainable construction techniques and low carbons solutions, was only possible after C2 had acquired technical expertise, a critical internal resource. In exchange of its political goods produced from its expertise in CSR, C2 obtained from politicians government contracts and some public policies that advanced its interests. Finally, the findings from this second case study revealed that CSR outcomes could be produced by the same CSR activity. For instance, a donation to a mayor's favourite charity could result in social capital, public image and indebtedness, all at the same time or one after the other. As already observed in the first case study, CSR outcomes intertwine. All of these make it difficult to attribute a CSR outcome to a particular CSR activity.

Table 15 presents the CPP mechanisms employed by C2 after the Key Event:

Forms of CPP	Visible	Hidden	Invisible
Instruments (CPAs)	Informational and relational types of CPA	Front groups and third party sponsorship (e.g. trade associations, think-tanks); political ties; revolving door	Neoliberal ideology in the UK; advertising and articles in the press
Instruments (CSR Activities)	Philanthropy (event sponsorships; community programmes); school endowment; environmental management and employee development programmes; membership of BITC; PPP; revolving door; self-regulation	Technical activity; PPP	Indirect financial contributions; technical activity

Table 15: CPP Framework for C2

4.5 Case Study 3

4.5.1 C3 Background

C3 is a multinational construction company whose major shareholders are pension funds. From civil engineering services to property development, the company operates across the full spectrum of the construction and property industries. It is one of the largest contractors in the UK by turnover and the majority of its revenues come from public sector clients.

Over the decades, the company has grown by acquisitions and it is structured differently from other construction companies. Its regional offices around the UK are autonomous in their management and there is little control from the head office. In the words of a participant, C3 is “like a series of federal states. [...] They’re basically run as separate business units with some guidance from the centre” (ID#[anonymised]). This federal structure enables the company to respond quickly to local market conditions.

4.5.2 The Key Event: Demands from Investors (2005)

In the early 2000s, it became a requirement from the Blair Government for its suppliers to have environmental credentials such as ISO 14001. Despite meeting the conditions, C3 did not communicate much on its CSR activities with stakeholders. The firm’s annual reports contained scarce details of its social and environmental activities and performances. In 2005, with CSR mainstream as described in Section 4.2.2, the major institutional investors of C3 demanded that the management team be more pro-active, transparent and communicative on CSR.

It's the shareholder demand bit which is quite interesting. And that came through some of the trustees and advisers for pension funds who hold big shareholdings in [C3] saying to us: "We've been having a look, and we don't see you in FTSE4Good, and we don't see you in the [BITC] CR Index. Why is that?" (ID#[anonymised])

It wasn't that the City said, "Oh, you're not doing anything about sustainability. You need to get your act together". We were always doing [CSR] over the last probably seven, eight, nine years. We'd just never tell anybody, and that is a big failing of [C3]. (ID#[anonymised])

The pressure from shareholders forced C3 to review its CSR activities and methods of communication. The company moved from a passive stance on CSR to a proactive one.

4.5.3 State of CSR and CPA at the Time of the Key Event

CSR – Determinants and Activities:

Until 2001, CSR at C3 consisted of community programmes and compliance with the law. Engaging with the communities helped to legitimise the company activities around construction sites and maintain a positive public image in communities: "[Community engagement] was the right thing to do [...] some of our [regional] offices have been around for hundred years. We employ local

people. We know the communities well” (ID#[anonymised]). The CSR activities of C3 were similar to those of other contractors. They consisted in hiring local workers, recruitment of ex-offenders through apprenticeship programmes, financial donations to local charities, and providing work experience to unemployed and students from local colleges. One CSR activity that has become the norm in the industry for contractors with slack resources like C3, is to encourage their employees to be governors of the schools that their children attend. The types of philanthropic activities C3 undertook were largely determined by politicians’ expectations as they used the regulation Section 106 to obtain political goods:

“If you let us build that supermarket there, we’ll build you a community hall across the road”.... that whole system stinks. There is just no other word for it. It is just largely corrupt, in small “c”. [It’d be better to give cash officially] and it’s up to the local authority to spend that properly, and if they don’t spend it properly, the theory is they don’t get elected next time round. So it’s political accountability for money. (ID#[anonymised])

But overall, the company had a passive attitude towards CSR:

[We were] probably more reactive [about CSR], but basically what we would be looking at is probably more legal compliance [...] the issues that aren’t covered by legislation, which is reducing waste, reducing energy, enhancing biodiversity wildlife, looking after local communities, didn’t really kick in until the early

2000s. (ID#[anonymised])

A few years before the Key Event, a director of C3 chaired a trade association that promoted CSR to its construction members. Because of this membership, C3 had begun taking a closer look at its environmental performance.

What we did with [this trade association's members] was to help them write their environmental policies [...] Then we helped them to set specific targets that they would aim to achieve in relation to protecting and conserving the environment.
(ID#[anonymised])

While chairing this trade association, C3 published its first environmental policy. The objective was to satisfy private and public sector clients:

One of the drivers then was from our clients asking us, "Have you got an Environmental Management System? Have you got 14001?" [...] So that's around about the beginning of 2002, probably 2003. Business started to realise that environmental issues were important. (ID#[anonymised])

After the publication of this policy, C3 nominated environmental champions among its employees within each regional office and the head office to implement the group's environmental policy. The policy emphasised the training of employees in environmental management; monitoring of

environmental issues; creation of a central database for waste inventories; and reporting of the environmental performance in the annual reports (ID#[anonymised]).

CPA – Determinants and Activities:

According to the interviewees, because the government is the main client of the construction industry, market and political activities cannot be separated. Large construction companies like C3 maintain close contact with government officials to be aware months ahead of any governmental initiatives, and give their technical advice to their public sector clients. Lobbying has therefore always been embedded in the economic activities of C3.

I would just say it's the way we do our business. It's just how we trade. We work with local authorities and then say, "yes, this is a really good service". So in that way, maybe it's indirectly influencing [their policies]. (ID#[anonymised])

We do receptions in House of Commons and you get, obviously policy-makers and MPs there, and we talk about the industry and talk about things that we're doing. [...] We do stuff with the local government task forces... So we're pretty plugged into what's going on. (ID#[anonymised])

The company used a public affair agency, but also the services of trade associations and professional bodies of which it was member, to watch over

government affairs and alert it on regulations that could affect its activities. When they did, the company co-operated with its rivals to co-ordinate their response and defend their common interests:

We tend to go as either UKCG. If there's any environmental issue, we tend to get together and decide what our policy should be. Obviously there's some disagreements sometimes, but we usually get a consensus, and we'll put together what we think — with legislation changes — what we think they should be (ID#[anonymised]).

Whereas this passive approach to CPA tended to be at the national level for policies that may affect the entire industry, C3 was proactive politically when it pursued local opportunities. When it bid on government contracts, such as PFI or local authority frameworks, C3 acted alone, in competition with other contractors. For large contracts of the PFI type, the head office hired the services of a public affairs agency to identify the key political stakeholders that could affect the final decision. C3 and the agency would then engage in a dialogue with these important stakeholders in private meetings to understand their needs, adapt its bid accordingly and lobby these key stakeholders to win the tender.

What we're doing under those circumstances is very much looking at who are the audiences that are going to effect a decision. [...] Clearly some of those audiences have very differing agendas and they're part of the broader decision-

making process on any given project. It can be a particular council with a particularly green agenda. (ID#[anonymised])

4.5.4 State of CSR and CPA after the Key Event

CSR – Determinants and Activities:

The demands from shareholders compelled C3 to centralise the CSR function, and no longer let each regional office develop its own strategy. A few years later, as the company had become familiar with the CSR concept, the belief in the business case for CSR became the determinant.

The biggest single benefit is that it's contributed to our success in winning public sector work and, indeed, some private sector work, because it is becoming the discriminating factor, because they say if you take three or four of the main contractors, you can't really sort of differentiate between them because the price is all about the same, the programs all about the same, so what's different? [CSR] can be the discriminator. (ID#[anonymised])

To be perceived proactive in CSR by its shareholders and customers, C3 undertook a series of actions. Firstly, a year after the Key Event, a dedicated section on CSR appeared for the first time in C3's annual reports. A few years later C3 published its first stand-alone annual CSR report. Secondly, after the Key Event the company published its first CSR strategy. The document was

distributed to all stakeholders (employees, investors, clients) and outlined the company's approach to deal with three themes of CSR, namely environment, social and economic. Thirdly, the company entered industry awards related to CSR. Following the demands from shareholders, C3 became a member of BITC in order to be included in the annual BITC's Corporate Responsibility (CR) Index. This index is the symbol of CSR achievements in the UK, and C3's investors expected to see the firm listed in the Index. The company adopted the BITC's CR framework, and started using the term 'corporate responsibility' instead of 'CSR'.

[Our CSR] framework and structure was driven, (a) by what the company wanted to do, and (b) by shareholder demand [...] if you look in our [corporate annual] report and accounts for the year before, CR is a bit of a wishy-washy couple of paragraphs and a few pictures of some kids with hard hats on, whereas now we've kind of got it structured and got it organised, and that's been a big achievement. (ID#[anonymised])

Lastly, to manage and co-ordinate the CSR activities of all its regional offices from the head office, the firm promoted internally one of its employees to the newly created post of CSR Director. This director from then onwards represented C3 on all the CSR committees of trade associations and public-private task groups.

Since this series of actions took place, C3 has been included each year in the BITC's CR Index to the satisfaction of its shareholders. But the attempt to be listed in the FTSE4Good Index has been unsuccessful. Its application was rejected because the company has interests in nuclear power generation, which make it ineligible for inclusion in the FTSE4Good Index⁷.

CPA – Determinants and Activities:

The Key Event did not change the political behaviour of C3, which continued to rely on trade associations for CPA concerning regulatory changes at the national level. Like other members of UKCG, C3 believed in opportunities brought by climate change (ID#[anonymised]). With other UKCG's members C3 lobbied the government, relying on its technical expertise in CSR to have regulations that would promote a low carbon economy, and the company would still benefit financially:

We have pushed sustainability through every opportunity that we've had because we see the built environment as being able to make a big contribution to sustainability, because the statistic that the most Co2 that gets pumped out into the atmosphere everyday comes out of a building somewhere. So there's a huge issue there. It's socially responsible to do something about it, and it's also commercially sensible to do something about it because you can make money doing it. ((ID#[anonymised]))

⁷ Since the data collection, the FTSE Good Index has changed its screening criteria and now includes companies involved in nuclear power generation. However C3 is still not included in the Index.

In their common interests, C3 and other UKCG's members jointly lobbied politicians to promote what they believed to be better CSR related regulations than the ones suggested by the British government:

We put [CSR] first [...] and if government policy we thought was wrong, and we think they're wrong on a number of things, we will write and tell them. We won't look at government policy and make our [CSR] fits that. It's the other way round.
(ID#[anonymised])

Like C1 and C2 before, once C3 discovered the economic opportunities offered by CSR, either by market competition (branding) or by using public policies to create new markets, the firm took a higher stance on sustainable construction standards than those recommended by the Government. This attitude aimed at giving C3 the image of a sustainable contractor, and therefore more credibility when dealing with policy-makers or clients:

It shows clients that we're proactive and that we're engaging with Government, but these aren't things that are done on an individual basis. We tend to do them as groups of contractors.
(ID#[anonymised])

According to the participants, C3 is very active politically. The company does all known types of political activities except financial donations to political

parties: “We are apolitical. We just kind of support the Government of the day” (ID#[anonymised]). The CPAs of the firm include meeting face to face with policy-makers to give the company’s point of view on issues affecting the industry; having managers sitting in Government’s advisory committees; responding to government consultations; sending letters to policy-makers; funding think-tanks and inviting policy-makers to corporate and industry events. In addition the company provides free research assistants to politicians, which is an indirect financial contributions as the assistants are paid by the contractor (ID#[anonymised]).

Despite all these political activities, some C3’s managers believe that the political power of C3 remains latent and is less effective than smaller competitors like C2, which have a more entrepreneurial culture and are proactive in the political arena: “I think to be fair traditionally, [C3] has been punching below its weight in terms of politics” (ID#[anonymised]).

4.5.5 Political Outcomes and Impacts of CSR

The four political outcomes of CSR were found in this case study. The first was technical expertise in CSR. The more C3 developed in-house its CSR expertise by training its employees in social, environmental and economics management, the more it acquired a political reputation by sharing this expertise with government officials during meetings. For example, C3’s CSR Director was appointed chair of a steering committee of a PPP on sustainable construction techniques. The role gave opportunities to access policy-makers, practice “technical activity”, and build political ties and a political reputation.

I chair what's called [*anonymised*], which links with construction to government looking at [environmental] issues, and also through our membership of CBI, we lobby government. (ID#[*anonymised*])

The most effective CSR activities of C3 in politics were those that benefitted politically policy-makers.

Whenever you're doing something that government is interested in, it's easier to get access. [...] where you can have a conversation with government is where you can say, "I'm not here to complain to you as a minister that something isn't fair. We come here actually ready to help you, because we as the construction industry could offer work experience placements to 50, 100, 500 kids that are long-term unemployed because they haven't got the skills—the employable skills". And I think it will be the same on sustainability. If government said suddenly 'we want to have all buildings in London reduce their carbon consumption by 20 percent in the next five years', we could have conversations with the government as to how that might be practically done. (ID#[*anonymised*])

Hence a gain in social capital, and to an extent a gain in CPP, requires a convergence of interests between the policy-buyer and seller. One activity that benefitted politicians, and at the same time allowed C3 to exercise invisible CPP, was a mixture of revolving door (CPA) and technical activity (CSR) through the provision of free public services. One such service was the

provision of free technical assistance to government officials. This peculiar political activity is an indirect financial contribution. It is effective in obtaining government contracts and influencing the draft of public policies because, it creates indebtedness on the part of the recipients. On one hand, politicians are pleased to have access to more experts subsidised by C3 to design public goods and services. On the other hand, C3 builds social capital and increases its chances of having political support from the recipients when it bids on government contracts or lobby government. Politicians, having worked closely with the firm, feel not only the obligation to take into account C3's recommendations in their final decisions, but if possible award a contract to C3 to implement its recommendations. An example was in 2009, during the government consultation for the Carbon Reduction Commitment scheme:

We acted as consultees on quite a bit of stuff with [a government department] and we do quite a bit with BSRIA [an industry consultancy service] where we use our experts and we just chuck them in for free, so to speak, so that they can participate in these sort of working programmes [...] So we actually tried to influence regulation through education.
(ID#[anonymised])

This tactic also gave C3 a competitive advantage over its rivals when it bid on a project:

The stuff we did with [anonymised] in [CSR] really helped us win that bid, and that was in terms of more about the educational stuff, about seconding our educationalists into the [anonymised]

and the stuff they were trying to do. [The local authorities] were trying to plan their stuff and we get the people to help them plan it. And that was enlightened self-interest really, they got a better scheme because the people we had were better quality than the people that they had access to, and so at the end of the day, everybody was going to win. (ID#[anonymised])

Since the Key Event, C3 has won many industry awards for its CSR initiatives in construction projects. The awards raised C3's profile in the country. To preserve this environmentally friendly image, C3 developed stakeholder dialogue management systems to mitigate risks associated with its activities. The self-regulated systems made regulators more lenient towards the contractor. This leniency due to self-regulation indirectly contributed to the financial performance of C3:

As in any large business, [the Environmental Agency] is always going to come when there's a problem on a site somewhere, and we've always addressed it. The classic one recently being a noise issue [...] we got served a Section 18 notice against us, which means the local authority would prosecute us, but as soon as we were issued with this, we called a meeting with them and reviewed our procedures with them in a couple of days. Changed our procedures, showed them what we did do across the group, and they were so amazed at our quick response they said [...] "That's brilliant. We're not going to prosecute you" (ID#[anonymised])

One participant described how all companies that had developed a CSR-friendly image, had to impose on themselves self-regulation practices to maintain that image. Government officials were aware of this quid pro quo and, given that implementing and monitoring public policies is expensive to government ministries, they tried to make companies commit to CSR publicly in exchange of no or less mandatory regulations. It is a trade. Public commitments force companies to self-regulate because if they do not, their reputation and legitimacy would be in jeopardy. Public commitment to CSR is therefore a cost effective tactic used by policy-makers to achieve their political objectives:

The better strategy in many ways is to get businesses to commit to much higher standards than you could ever impose through regulation, then to cascade it through their supply chain but have those as public commitments to which they are then held to account—so if Marks & Spencer says ‘we are not using chemicals in cotton that we grow from resources of Ghana’ and whatever stuff like that, then you know that there will be people working for civil groups out there who will go in and check those claims. (ID#[anonymised])

From the perspective of government officials, the most trustworthy companies are those that brand themselves publicly “sustainable company”, promise to self-regulate, and have a long supply chain like C3. Policy-makers reward these companies with more and easier political access to them. For instance,

the UKCG prevented regulations in waste management by promising [anonymised] that its members would self-regulate:

The most high profile, ongoing initiative, over the last five years has been UKCG's involvement in establishing a voluntary portal to benchmark waste generated within the construction sector. [...] Through the establishment of the portal, the industry has been able to show its commitment to reducing waste generated along with increasing the amount diverted from landfill. The introduction of voluntary reporting, along with the establishment of reduction targets, has prevented the need for government and clients to introduce a mandatory system. (ID#[anonymised])

The impacts of CSR on C3 after the Key Event were two fold: its new public image and provision of free technical assistance not only attracted new clients from the public sector, but also helped the firm participate in policy-making and influence policies as described above.

[CSR] helps us to win work. This is always my argument when I stand up and speak to directors and main board. Despite the recession, clients are still asking us very detailed questions on what are we doing on waste, on water, energy, sustainability, training, apprenticeships. (ID#[anonymised])

In addition, the company's CSR initiatives made it more efficient:

From a financial point of view, it's made us a lot more aware of what our costs are for energy, and also just how much our waste costs were. It was something nobody really looked at. (ID#[anonymised])

Despite this knowledge, C3 has never been able to quantify the contribution of CSR to its financial performance:

I know that on a couple of major frameworks that we've bid on and been successful, you can't put it down just to the environment or sustainability because there are other things that we're good at, but basically had we scored badly on the sustainability side [...] perhaps we would've still got on the frameworks, but you don't really know—there's the view in the business that the fact that we've been proactive [on CSR] and we're doing our best and we could get a lot better, has helped us secure work. (ID#[anonymised])

4.5.6 Case Study 3 Conclusion

The pro-active engagement in CSR by C3 is driven today by the business case. Like its rivals, C3 has come to view CSR as a means for differentiation and competitive advantage. The results of this case study show that when CSR activities address societal issues of interest to policy-makers, the political outcomes of CSR activities facilitate political access. The following

impacts can influence the awarding of government contracts and public policies to the advantage of the firm.

Table 16 presents the mechanisms of CPP employed by C3 after its Key Event:

Forms of CPP	Visible	Hidden	Invisible
Instruments (CPAs)	Informational and relational types of CPA; chairing of trade associations	Front groups and third party sponsorship (e.g. trade associations); political ties; revolving door.	Neoliberal ideology in the UK
Instruments (CSR Activities)	Philanthropy (event sponsorships, community programmes); apprenticeship programmes; membership of BITC; revolving door; self-regulation; environmental management; PPP;	Philanthropy; PPP; technical activity	Indirect financial contributions; technical activity

Table 16: CPP Framework for C3

Chapter 5

Cross-Case Analyses and Discussion

The purpose of a cross-case analysis is to present the salient themes across the individual case studies to answer the research question, and provide insights into the phenomenon studied in light of the existing literature. In line with this research's epistemological approach of constructivist-realism, in this Chapter the findings from the three cases are compared to uncover the mechanisms of the phenomenon analysed. Their similarities and differences are also discussed in light of the literature. To find answers to the research question, I first explore the salient themes of the determinants of CSR engagement. The same analysis is then made concerning CPA, followed by the political outcomes and impacts of CSR activities. Finally, by merging these findings, answers to the research question of the study are presented. The discussion of the cross-case analyses concludes with a presentation of the final conceptual model that captures the relationship between CSR and CPP.

5.1 Cross-Case Analyses

5.1.1 CSR – Determinants and Activities

The case studies revealed three salient drivers for the case companies to proactively pursue CSR activities, namely activism from institutional

shareholders (external pressure), market trends (external pressure) and legitimacy threats (external pressure).

1) Shareholder Activism:

Regulations raised awareness of CSR and Socially Responsible Investment (SRI) among investors. For instance, the SRI index FTSE4Good was created in 2001 as a result of the 1999 Pension Act that required institutional investors to be aware of public companies' social and environmental performances. Institutional investors began demanding that public companies report on their CSR activities. By that time, C1 was already engaged in CSR reporting since its Key Event. However C3's pro-active engagement in CSR activities and reporting was a result of this 1999 public policy. C3 found itself targeted by institutional shareholders who pressured it to become involved in a broader range of social and environmental issues, and be more communicative in these areas. Like C1 and C2 before, C3 succeeded being included in the influential BITC's CR Index but not in any SRI index, because of its activities in the nuclear power sector. Among the three case companies, C1 is the only one to date to be listed in a SRI index. C2 cannot be listed in SRI indices because it is a private company. It is unknown if this ineligibility for inclusion in SRI indices made some investors divest their holdings in C3, or deterred potential ones to invest in the firm. What the three case studies indicate is that the real value of membership of a SRI index like the FTSE4Good index, or of a CR index like the BITC's one, lies in public image and reputation. The membership is a badge of social legitimacy that helps to protect the public image of members (Clark and Hebb, 2005).

2) Market Trends:

The three case studies show that changes in the market motivated the construction industry to invest in the technical expertise of sustainable methods of construction. Regulatory forces drove this new trend in the market from the mid-1990s onwards. C2 is exemplar of this adaptation by the industry to meet the new demands of clients, with the largest one being the Government. The move of C2 towards CSR was motivated by the political agenda of the Government and its demand for greener products and services. It was an instrumental use of CSR without moral or ethical consideration. All three case companies undertook CSR for instrumental reasons. C1 was the first contractor in the industry to eagerly communicate on its environmental activities, but only after its Key Event had damaged its public image. It was at first a re-branding exercise for risk management purpose. Following the recommendations of a CSR expert and adviser a few years later, C1 began using CSR as a tool for branding and differentiate from rivals, but also to influence public policies through its CSR related expertise. In the case of C2, it was an entrepreneurial move. After years of monitoring trends in the economic and political marketplaces, the company decided to seize the opportunities presented by CSR by becoming an expert in low carbon solutions. For C3, the initial motive was to please institutional investors. But a few years later, once the company noticed that CSR activities could support its bids on government tenders, it decided to strategically undertake CSR activities in order to enhance its financial performance.

The first and third case studies show that communication and promotion of CSR activities to stakeholders, particularly regulators, shareholders and customers, are as important as doing those activities. Perception is reality; the awareness by these stakeholders of some sort of CSR engagement, even if it is “green-washing”, mitigates threats to corporate legitimacy.

3) Legitimacy Threats:

A company impacts and is reciprocally impacted by its stakeholders (Gray et al., 1995; Freeman et al., 2007). This view of business-society relation is found in ECC theory that supports the claim that a social contract exists between business and society. Unless a company shares with its stakeholders the economic, social, and political benefits it derives from its activities, its legitimacy and existence will be eventually threatened (Shocker, 1973). For C1, it was the pressure from the activism of environmental civil groups that affected its public image and threatened its legitimacy. In the case of C2, it was the Government’s “green” agenda and clients’ demands driven by regulations that threatened its legitimacy and existence, if the company did not adapt to the changes. For C3 it was shareholders’ demands also incited by regulations. The three case studies show that to maintain their legitimacy after their Key Event, each case company undertook a series of actions that met their key stakeholders’ expectations. Those expectations are temporal because they are dependent upon socially constructed norms that evolve. So businesses are not always aware of their legitimacy gap until complaints of key stakeholders arise (Lindblom, 1993; Deegan, 2006). The first and third case studies put this in evidence: the quotes of participants in these cases

indicate that until the Key Events occurred, C1 and C3 believed that the way they had operated for decades was still acceptable.

Considered altogether, the three salient determinants for CSR engagement echo the findings of Bansal and Roth (2000) and Aguinis and Glavas (2012), namely that companies engage in CSR activities because of external pressures from their primary stakeholders. In all three case studies, these pressures were all directly or indirectly related to governmental regulations. The fear of losing revenues or legitimacy, associated with the loss of access to the resources they needed to exist, dictated companies' responses. For all case companies, CSR engagement was initially a defence strategy against an external pressure. Gradually, as each company gained knowledge of the concept, the practice of CSR evolved into a market differentiation strategy. Accordingly, CSR activities became managerial instruments to manage their market and non-market environments (Frankental, 2001; Harjoto and Jo, 2011). Whether it is legitimacy threats, market trends or shareholder activism, the results point to enlightened self-interest as the underlying motivator of each case company. They all practiced corporate social responsiveness (Carroll, 1979), a four-phase sequential managerial approach to stakeholder management without moral connotation: reaction, defence, accommodation, and proaction. The series of social actions undertaken by C1 and C3 after their Key Event show clearly the rolling out of these four phases.

The CSR activities of the three case companies were found to be similar and encompass all the domains of responsibilities included in the Extended

Pyramid of CSR (Figure 2). These covered the ones reported in previous studies (see Table 12). According to the literature (e.g. Baum and Oliver, 1992; Campbell, 2007; Hillman et al., 2009), the isomorphism found in CSR practices can be explained by the fact that companies belonged to the same industry and were subjected to the same institutional pressures. The events discussed in Chapter 4 illustrate the links between regulative (coercive), normative, and mimetic mechanisms that produced this isomorphism. Initially macro and meso events created regulative mechanisms that threatened corporate revenues and legitimacy and coerced companies to undertake proactively a range of CSR activities. They were then followed by normative and mimetic pressures that compelled the case companies to review their internal rules and structures (new corporate policies and activities; creation of CSR executive and non-executive positions; training of employees in new environmental skills; publication of CSR reports, etc.). As demonstrated by Cialdini (2007), individuals and corporate members of a group judge one another by conformity to the values set by the group by fear of exclusion. The three companies were all member of the MCG/UKCG and the BITC that promoted CSR engagement. Thus group pressure and mutual scrutiny assured CSR activities were similar among group members.

The three determinants (shareholder activism, market trends and legitimacy threats) explain the rationale for CSR engagement at the organisational level. However an unexpected finding is that the personal values of senior executives, especially the CEO, played an important role in establishing corporate policies and activities, including social and political. For instance C1,

before and after its Key Event, engaged in philanthropic activities that related to the personal interests of the CEO. C2's CSR initiatives leaned heavily towards education (apprenticeships and scholarships), and the company was politically active, because Smith personally believed in the education of young people and was a political activist. The personal values of these CEOs had an impact on the social and political orientations of their companies. According to Waldman et al. (2006), because the CEO plays such a determining role in the CSR activities of a firm, this manager should not be ignored in research. This claim is supported by studies that found a positive correlation between CEOs' characteristics and CSR activities (Thomas and Simerly, 1994; Manner, 2010; Marquis and Lee, 2011), but also with CPAs. For instance, Chin et al. (2013) demonstrate that CEOs' political values (social/liberal or conservative) are reflected in their companies' CSR practices and financial donations to political parties. The correlation provides support for Hambrick and Mason's (1984) Upper Echelons theory. According to the theory, organisational outcomes are a reflection of the intrinsic characteristics (age, managerial experience, social values, personalities) of the firm's top managers. Hence a CEO's decisions in times of crisis such as a Key Event, are strongly influenced by his or her personal values. However we should not completely discard corporate culture as Barney (1986) remarked. For instance, after their Key Events, C1 and C2's CEOs were proactive and personally determined to make CSR central to their corporate strategy. To quickly develop an expertise, following their corporate culture of entrepreneurship, C1 purchased two environmental consultancy firms whereas C2 created its own. Both firms appointed external advisers on their board, and recruited experts from outside their organisation. They

communicated intensively to “sell” a new public image to stakeholders. In contrast, C3’s CEO chose to do everything internally and publicised little of the company’s CSR activities. He followed the corporate culture to “keep everything for itself” in the words of a participant.

In conclusion, regarding CSR there is much congruence across the case studies and support for the existing literature and for the three interwoven theoretical lenses used for this study. “RDT+RBV” is supported because the three companies undertook CSR activities firstly to mitigate external threats to their legitimacy and revenues, and secondly to develop a competitive advantage by developing a public image of expert in sustainable construction techniques. There is also support for the institutional theory. The fact that the three case companies had similar CSR activities after their Key Event (more precisely after CSR had become mainstream by 2005), is evidence of institutional isomorphism. To these three theoretical frameworks that explain corporate social behaviour, Upper Echelons must be added. The three companies may have come to have similar CSR activities over time, but their practices differed because they did not have the same corporate strategy and organisational culture. The CEO influences both.

An unexpected finding that comes to support the limited empirical evidence on the history of CSR in the UK (Moon, 2004; Albareda et al., 2008; Kinderman, 2012), is that the social, environmental, and economic issues addressed by (construction) companies in this country have been strongly influenced by the Government and civil groups. For the last 30 years, the British government

has been framing the agenda of CSR programmes to address specific issues: During the 1980s, the CSR activities of construction firms targeted social issues. The Thatcher government encouraged this emphasis on social issues with the establishment of a number of PPP initiatives to reduce unemployment in deprived communities. During the 1990s, companies' CSR activities broadened and put emphasis on environmental issues. Due to the growing interest of governments around the world in the issue of climate change, and the negative publicity surrounding C1's Key Event in the UK, construction clients began raising concerns about the environmental damages caused by the industry's practices. Clients asked for more environmental friendly solutions, whilst the Major Government introduced environmental taxes. Finally from 1999 onwards, the term "sustainability" gained popularity in the lexicon of the CSR literature as the government and practitioners found it more appropriate to reflect the issue of climate change. The new emphasis of CSR activities was to achieve a balance in the "triple bottom line" (performance in the social, environmental, and economic dimensions).

In view of this, the CSR phenomenon seems to be a socio-political construct constantly redefined by political institutions in a perpetual shifting historical context. This conclusion is substantiated by the comments of a practitioner in Moir's (2004) study, who advanced that historically in the UK, a firm's CSR activity had to suit the Government's ideals or agenda in order to be deemed valuable as a political good:

"during the 1970s when the then incumbent Government was very favourable towards the arts in terms of private patronage, opera especially actually had a good run. I've heard people who were working

in that period tell me that if a corporate wanted to get close to the Prime Minister, opera was something which didn't hurt to be seen to be associated with. Now the tack is very much if you want to get into the inner circle or near to a cabinet minister, then association with socially responsible works, that is to say community-based works or works which contribute to ethnic diversity, etc. are in a sense more attractive."

(A Head of Corporate Giving, cited in Moir, 2004, p.166)

Figure 10 illustrates this framing of CSR by periods. Each period emphasises a particular type of societal issue faced by institutional stakeholders, and these issues are expected to be addressed by businesses. Over time, new issues arise. Companies still have to address the former societal issues, but stakeholders expect it to prioritise the new ones.

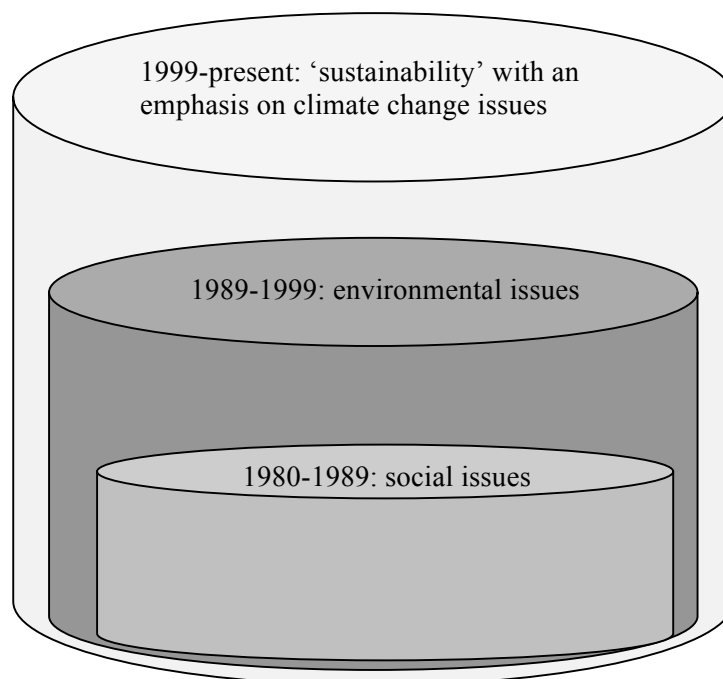


Figure 10: Focus of CSR Activities, 1980-2010

5.1.2 CPA - Determinants and Activities

The cases companies shared the same determinants for political advocacy: (1) revenue seeking by the pursuit of government contracts, (2) revenue seeking by the pursuit of public policies that would provide more public investment in infrastructure and government subsidies, and (3) the prevention of regulatory threats to their activities. The first and second determinants are quite similar as the Government is the industry's largest client and therefore, its level of public procurement spending affects companies' revenues. For this reason, a common political objective for all contractors in the industry has been the promotion of long-term investment schemes to increase public sector expenditure such as the PFI. Regarding the third determinant, companies did not like regulations and so, sought to pre-empt any through negotiations with the Government (lobbying) and engagement in self-regulation.

From the perspective of the three case companies, the characteristics of the construction industry made that market and politics could not be divorced. Policy-makers were at the same time clients, legislators and regulators, therefore CPA was embedded in everything the companies did to please and influence politicians.

Like CSR activities, the political activities of the three companies were similar and at the same time, the companies differ in their practice of these activities. Organisational and managerial characteristics guided the political behaviour of case companies. C1 and C2 had a culture of "political entrepreneurship",

and their respective CEOs and other top managers sought opportunities through regulations. In contrast, C3 relied to a greater extent on trade associations for regulatory changes. It was the political activism and social capital of C1's senior executives that contributed to the creation of [Project X], the PFI scheme, and the prominent role of C1 in the PPP committee that advised the Government on sustainable procurement. Similarly it was the keen personal political interest of Smith, and his social capital, that gave C2 and the construction industry unprecedented access to senior government officials during the 1990s. C2 continued this pursuit of business opportunities through regulations after its Key Event by lobbying for stricter CSR related regulations. The research on C3 did not find its senior managers to have a political entrepreneurship spirit, although they admitted that CPA was a standard feature of their activities because of the industry's characteristics. These differences in managerial and organisational characteristics might explain why a participant said that C3 "punched below its weight in public affairs" [ID#anonymised].

The findings did not provide evidence that any of the case companies engaged in CPAs to advance the interests of a stakeholder for the sole benefit of that stakeholder (Government, communities, clients, employees, etc.). Political advocacy in support of a stakeholder was always because the case company had a vested interest in the outcome. The companies admitted that initially, they undertook CSR by commercial and legitimacy concerns due to external pressures. However with time, once they had subdued the pressures and became comfortable with the concept of CSR, they came to believe in the

business case for CSR and undertook CSR activities to benefit financially from them. As such they supported in principle the Government's agenda on sustainability, and aligned their CSR activities and CPAs to advance their interests. Thus CSR activities became political instruments.

The fact that the three case companies, all members of MCG/UKCG, supported the Government's green agenda by adopting voluntarily higher environmental standards than those prescribed by the law, and then lobbied for stricter environmental regulations themselves or through their trade associations, meant that they had successfully adapted to the changes in their political environment. As prescribed by RDT, this self-regulation practice that consisted in adopting higher standards aimed at pre-empting future regulations and therefore, aimed at making the companies less dependent on the government. The practice also allowed for the alignment of CPAs and CSR activities, and lobbying for stricter CSR related regulations that would restrict competition by limiting the number of contractors eligible to bid for government tenders. The case companies clearly attempted to benefit from public policies derived from the Government's agenda. The conclusion to draw from this finding is that the CSR activities that may have furthered the interest of the British public or a community where a case company operated (that is not a single and specific stakeholder), are positive externalities from the companies' attempts to benefit financially from the Government's green agenda. The case companies did not do community programmes to advance the communities' interests but because of local politicians' interests in these communities. Therefore if the Government's green agenda did not promote the interest of the public, the political outcomes of CSR activities might have

benefited the Government or individual politicians with whom the case company traded political goods, but this benefit would have had no positive ripple effects for the public.

5.1.3 Political Outcomes and Impacts

A serendipitous consequence of the Key Event for each case company, was the technical expertise gained in the process of meeting the expectations of stakeholders. This expertise, coupled to the privileged position of construction companies in society (i.e. to build houses we need experts), made politicians dependent on contractors to advance their political agenda on sustainability (e.g. the construction of sustainable houses). This finding is in line with Foucault's (1977) claim of the existence of a circular power-knowledge relationship: policy-makers were aware that houses and buildings were responsible for much of Co2 emissions in the country, but they had little knowledge of techniques to make dwellings "greener". Thus they had to rely on the advice of companies reputed for their expertise in sustainable methods of construction. Data also show that sometimes it was a local politician who sought advice from a case company, to avoid having his or her political decision adversely affect that company's contributions to his or her community. As put by a participant, "politicians don't like to look stupid [and want to avoid] the law of unintended consequences" (ID#[anonymised]). This need of companies' expertise highlight their hidden (structural) CPP (Lindblom, 1977).

The need for this technical expertise in CSR provided opportunities to the case companies to meet policy-makers, build social capital, advise them and

have some influence on public policies and government bids as the case studies show. Other than technical expertise, the results of case studies also indicate that all the political outcomes of CSR activities helped companies to have easier access to policy-makers and thus, contributed to CPP. The homogeneous CSR activities of the case companies explain the quasi-similar political outcomes and impacts of CSR identified in the case studies. They support on the observation that to persuade policy-makers and shape their decisions, the most important corporate resource to have is technical expertise, and the use of informational type of CPA to transmit to policy-makers the knowledge derived from this expertise. A participant summarised this finding as follows:

If you haven't got anything intelligent to say then it doesn't matter whether you're paying money [i.e. political donations] or doing events or whatever else [to get access to politicians]. People will know who you are, but it isn't going to influence policy. The way you influence policy is by having something intelligent and intelligible to say that actually makes the policy better or richer, points out a glaring error, stops them doing something stupid, has public opinion supporting it.
(ID#[anonymised])

Due to the fragmented nature of the construction industry, none of the case companies believed that they had much influence over the Government. Nevertheless all acknowledged that their CSR activities could influence policy-

makers' decisions, especially in small communities. The reason was that the activities of a company at the local level were more noticeable than at the national level. When a member of parliament, Council Leader or a town Mayor considered important the contributions made by a case company to the economic and social development of his or her constituency (e.g. employment, tax revenues, or provision of free public services as part of a CSR initiative), the company earned goodwill. It was then easier to organise a meeting to lobby that local politician to influence local policies in its community, rather than attempting to meet with a senior civil servant in central government in London and change national policies.

To conclude this cross-case analyses section, the undertaking of both CSR and CPAs were instrumental, primary driven by external pressures. CPA is a standard practice by all companies in the construction industry due to its characteristics. The similitude found in CSR and political activities by the case companies is due to their belonging to the same industry. The outcomes of CSR activities, in particular technical expertise, contributed to political access. The demonstration of this expertise when lobbying increased the odds of orientating the decisions of government officials in the direction that benefited companies. In other words, the strategic alignment of CPAs and CSR activities contributed to the strengthening of their CPP. This last point is discussed in more details in the next section.

5.2 Discussion

In this section, the key findings of the research are discussed in comparison with established theories and concepts in the literature. With regards to the epistemology of the study, the discussion is structured around the initial conceptual model presented in Figure 3. The CSR-CPP relationship is described in the empirical, actual and real domains starting with the determinants, followed by the mechanisms and impacts. The insights drawn from the discussion address the two objectives of the thesis (the identification of the mechanisms of the CSR-CPP relationship, and the identification of the political impacts of CSR), and provide answers to the main research question, 'how does CSR contribute to CPP?'

CPA and CSR Determinants:

The empirical results of the research reveal some overlaps between the determinants of CPA and those of CSR activities, which allows a categorisation into two types: external pressures and organisational characteristics. In addition, the social and political activities of case companies were also found to be influenced the personal values of the CEO, and the environment in which they operated (competitors' activities that encouraged isomorphic practices, the political ideology of the country and the expectations of government officials).

The personal characteristics of the CEO as a determinant factor on how companies responded to external pressures is an unexpected finding because, my analysis of the business-government relationship was at the organisational

level. Yet the empirical results indicate that to fully comprehend organisational outcomes, the ascendancy of a CEO on a firm's social and political behaviour cannot be dismissed. Previous studies have made a similar observation that research at the individual level is necessary to understand the mechanisms of CSR (Bansal and Roth, 2000; Aguinis and Glavas, 2012). Wood (1991) argued that "managers are moral actors...A company's social responsibilities are not met by some abstract organizational actor; they are met by individual human actors who constantly make decisions and choices" (pp.698-699). This finding supports the Upper Echelons theory, and calls into question the claim made by the real entity and corporate personhood theories that the firm is a distinct person, separate from its members. As argued by Friedman (2003), we have to see the company as an amoral and "aresponsible" legal person, but whose actions and behaviours may at best in part be a reflection of the CEO's personality, values and experiences.

A second surprising finding related to the environment of the firm, is the effects of the industry's characteristics on the political behaviour of case companies. The fragmented nature of the industry, and its dependence on the Government as the main client, require all construction companies to work together when they exercise CPP to shape policies at the national level. As a result, coalition building through trade associations and think-tanks is the principal political activity of all contractors. The case companies undertook political activities by themselves only when they pursued a government contract or regulatory changes at the local level. The industry does not have a monopolistic or oligopolistic structure, so no contractor has the resources to seek regulatory changes by itself. Due to this approach to business-

government relationship in the industry, no contractor can ever be the single beneficiary from a public policy. Competitors will benefit too. For this reason, any public policy that may have advanced the interest of a case company (e.g. PFI, Green Deal) did not provide a *sustained* competitive advantage as per RBV's definition, but a (temporary) competitive advantage only. As Dahan (2005) remarked, a public policy is a "public good" in the sense that it affects all companies in the industries concerned by the policy, including free riders.

Some academics (McWilliams et al., 2002, 2006; Sims, 2003; Richter, 2011; Fooks et al., 2013; Hond et al., 2014) and practitioners (Köppl, 2012) have argued that CSR activities can support a firm's political activities in developing a competitive advantage, or removing a competitive disadvantage, through public policies. The political advocacy by the case companies for more binding CSR regulations that suit their CSR performance, and their participations in PPP advisory groups on CSR related policies, are evidence they attempted to use CSR as a means to improve their competitiveness through public policies. This instrumentalisation of CSR for political ends constitutes the "political case for CSR"; it supplements the "business case for CSR" usually found in the literature. There are of course areas of congruence between the two because, corporate gains obtained by political means achieve the same objective to procure an economic advantage to the firm. For theoretical however, there is a need to keep distinct the business case from the political case for four reasons:

1. The business case encourages the undertaking of CSR activities on economic grounds, i.e. CSR activities can provide economic

advantages to the firm (legitimacy by risk mitigation, cost reduction, and public image). In contrast, the political case for CSR justifies CSR engagement on political grounds, i.e. CSR activities can provide public policies that give economic advantages to the firm (competitiveness through public policies; pre-emption of mandatory regulations). To paraphrase Wilks (2013), the business case showcases CSR as a reputation management tool, whereas the political case invites to see it as a tool for the privatisation of regulations.

2. The political case brings to the fore the political nature of CSR and the political role that companies play when they undertake CSR activities. This emphasis is reflected in the still embryonic ECC literature (Scherer and Palazzo, 2011; Whelan, 2012).
3. The literature review indicated that despite the efforts to find evidence of the business case for CSR, the results of the research are inconclusive. The arguments in favour of the business case, all based on economic grounds, lack empirical evidence (Vogel, 2005; Orlitzky et al., 2011). The findings of this study indicate that the arguments for the political case, which are based on political grounds, can be applied to any politically active company. The political case draws attention to the mechanisms by which CSR contributes to CPP. The impacts, such as government contracts, affect corporate performance. For researchers that seek evidence for the business case, the analysis of the political outcomes and impacts of CSR provides a novel framework to research an indirect link between CSR and CFP.

4. The claim from business case theorists (e.g. Porter and Kramer, 2006) that CSR activities are a “win-win” for business and society is challenged by the political case. There is no evidence from this study and the literature that companies engage in CSR or political advocacy to defend or advance the public interest before their own. Hamilton and Hoch (1997) who argued that CPA is a political responsibility also admitted that “ethical CPAs” – which is the promotion of the public interest and corporate self-interest at the same time through political activities – was unheard of. Therefore it is doubtful that politically active companies, even if they have the public image of a good corporate citizen, prioritise the public interest when they lobby governments (Anastasiadis, 2006, 2014). There is a risk that the political power that companies gain with their CSR activities could be used to promote public policies that harm directly or indirectly their stakeholders. The political case for CSR highlights this latent risk, the business case do not. A notorious example was the company Enron. While stakeholders celebrated it for its CSR activities, the company used its CPP to obtain public policies that were detrimental to the beneficiaries of its CSR activities (Stohl et al., 2007).

The Political Outcomes of CSR (i.e. The Mechanisms of CSR-CPP):

The framework used to operationalise the political power of the firm, proposed that any corporate activity that sets in motion one of the three mechanisms of power had to be considered an instrument of CPP (Table 3). The political activities listed in Table 2 were the only instruments found in the literature. My

argument was that CSR activities could be instruments too. To explain the mechanisms by which CSR contributes to the political success of the firm, I borrowed Medcof's (2001) RDT+RBV framework underpinned by the institutional theory. The framework proposes that the political environment of the firm is similar to a marketplace where businesses and government officials trade political goods (Bonardi et al., 2006). The political outcomes of CSR activities produce four political goods (technical expertise, social capital, indebtedness and public image). In exchange for these political goods, government officials grant to the firm access to the policy-making process. I therefore came the conclusion that the political goods constitute the mechanisms that link a corporate activity to political power. It is by their creation and provision to policy-makers that CSR activities contribute to CPP.

However CPP is a two-step process and access is only the first step towards CPP as defined in this study. To complete the second step, the persuasion of policy-makers, empirical findings point to the demonstration of technical expertise as the most important resource of a company. This evidence contradicts the popular belief that financial resources are the most important assets for a firm to successfully exercise political power (Beetham, 2011). The four political goods of CSR provide political access, but only technical expertise was found to be effective to complete the second step of the CPP process.

The four political goods/mechanisms are now discussed in details.

"Technical expertise" was identified as the most important political good to contribute to CPP, not only because it contributes to complete the second

step in the CPP process, but because it reinforces the structurally privileged position of the firm in policy-making. To not hamper economic growth when drafting policies, it is common practice for politicians to seek companies' advice, which is grounded in areas of interest to the Government (e.g. sustainability). Corporate actors benefit from a structurally privileged position supported by their technical expertise needed by the Government, and the neoliberal ideology endorsed by the Government. As already revealed by Ellis (2008) and Strong (2010) in their research on the making of sustainable development policies in the UK, since the Thatcher Government, successive British governments have encouraged economic growth by seeking the participation of business in policy-making, and by adopting policies generally on terms favourable to corporate interests. Given the nature of policy-making at the national and European level, the British government must find compromises between competing interest groups, and business does not always get the policies it desires. The literature and data presented in Chapter 4.2 show that macro and meso events can cause regulations that affect business revenues, at least on the short term. Thus the exercise of CPP is not always effective. Nevertheless, for the period under analysis, neoliberalism explains the preference by the Government to promote CSR as a market-based solution negotiated with business, rather than a constant use of mandatory regulations. The Government encouraged companies to adopt voluntary codes of conduct and self-regulated CSR practices instead of mandatory regulations. So the scope of CSR activities was negotiated between business and the Government. There is therefore a relationship between regulatory threats and CSR activities (Fooks et al., 2011). CSR

activities help pre-empt regulations and in so doing, create financial benefit for companies because, legal compliance with regulations would impose costs.

“Indebtedness” and “social capital” are two closely related political goods essentially produced by corporate philanthropic activities that deliver public goods, including training and employment of youngsters, support for the favourite charities of politicians, children’s playgrounds and other benefits in kind in local communities. The provision of public goods constitutes an indirect financial contribution to politicians because without these CSR activities, politicians would otherwise have to fund the provisions of these public goods themselves (or forego them). The data did not provide enough information to know if the satisfaction brought by these CSR activities to members of communities helped local politicians to stay in office, however they were found to contribute to the development of the public image of companies in those communities.

A positive “public image” was as much promoted by the case companies as by the Government. The companies sought to be seen “sustainable” and “good corporate citizens” for marketing reasons and to deter government regulations, while the Government encouraged businesses to communicate on their CSR programmes because they would then have no choice to self-regulate their behaviour to maintain the legitimacy associated with a public image. The benefit of self-regulation for the Government is that it avoids the costs and difficulties associated with creating and enforcing regulations. Companies that brand themselves CSR-friendly are believed to be more legitimate and trustworthy. For this reason, government officials grant to these companies more and easier political access. This empirical result confirms the

proposition made by some scholars on the positive impact of a CSR-friendly image on political access (Sims, 2003; Lyon and Maxwell, 2008; King and McDonnell, 2012; Hadani and Coombes, 2012; Rehbein and Schuler, 2013). Sims (2003) and Hillman et al. (2004) suggested that interest groups with more and easier access to policy-makers had more influence on public policies than those with less access. The study's results do not provide enough evidence to confirm or disconfirm this claim. But by theorising from the data, the claim ought to be true because it relates to what psychologists call "the illusion of truth effect", on which rely advertisers (Begg et al., 1992; Weaver et al., 2007). When an actor is exposed to a message more frequently than another (e.g. "CSR is more effective when voluntary than mandatory"), the actor will come to believe that message and act according to that belief. Thus, if politicians meet and work more frequently with business representatives than competing interest groups, they are more likely to be exposed to and believe the arguments of business, which already benefit of a privileged position.

A crucial insight that emerges from the research is that the needs and objectives of policy-makers are central to the relationship between CSR and CPP. CSR contributes to CPP only when it provides political goods valuable to policy-makers. What is valuable depends on the policy-makers' needs. The concept of the political market implies that policy-makers are autonomous agents with personal agenda of their own. However rare are the studies that approach the relation between business and government at the individual level, and from this perspective. One exception is Ceton and Liston-Heyes (2007), who concluded that politicians use CSR to fulfil their political promises

at a lower cost, and increase their chances of re-election. My results indicate that policy-makers have a strong influence on the types of CSR activities undertaken by construction firms, especially in small communities. One contributing factor is the policy Section 106. Policy-makers have learnt to solve issues on their political agenda by framing and embedding their political ideas in the CSR discourse. As put by a CPA practitioner, since the 1990s his corporate clients had “to jump train and adopt [CSR] at least as an umbrella strategy for bringing forward the business’ interests [...and] meet the politicians expectations” (Köppl, 2012, pp.178-180). By way of example, once C1 and C2 decided to strategically align their CSR activities and CPAs by “wrapping and hooking” these activities around policy-makers’ sustainable development agendas, they got easier political access, won government contracts and obtained some favourable policies less threatening to their activities.

Generally the literature explores CSR and the power of business without reference to the influence of policy-makers on business decisions, as if policy-makers were passive actors with no personal agenda of their own. Clearly, if the obtainment of CPP is based on an exchange of political goods with politicians, companies cannot be deemed more powerful than governments like some authors have claimed (e.g. Monbiot, 2001). The existence of a political market opposes claims made by some ECC proponents that governments can no longer regulate companies, or pursues public policies that diverge from business’ interests (Scherer and Palazzo, 2011).

The Political Impacts of CSR:

The study found that the political goods created by CSR activities contributed to CSR having three political impacts that built on one another. Firstly, CSR strengthened the privileged structural position of companies as technical experts. Secondly, CSR helped companies having easier access to policy-makers, which is a sine qua non for CPP. Thirdly, these first and second impacts gave opportunities to generate revenues by lobbying policy-makers that awarded government contracts, and by lobbying for public policies that encouraged government expenditures and mitigated costly mandatory regulations. For reasons given in Section 2.4.5, it is difficult to assess the success and failure rate of the political activities directly attributable to CSR by the companies investigated. Nevertheless the data obtained were sufficient to indicate that CSR activities helped companies win government contracts and, obtain favourable policies such as the Green Deal due to their expertise in CSR related issues, although these effects could take years to materialise. Overall, the findings support Fooks et al.'s (2013) thoughtful observation that the combination of CSR and political activities help companies to “broker access to public officials, influence the policy alternatives under consideration by elected representatives, break up opposing political constituencies, [and rebuild] companies’ reputations as providers of reliable information” (p.284).

Having discussed the findings, we can now answer the research question of this thesis, how does CSR contribute to CPP?

The mechanisms that link CSR to CPP rely on a system of exchange between the firm and policy-makers. In exchange for doing CSR activities that produce political goods valuable to policy-makers, the companies gain easier access

to politicians and hence to public policy debates where their arguments are heard. But not only does CSR facilitate access to the policy-making process, it also reinforces the structurally privileged position of companies as experts on which policy-makers rely for technical advice to take decisions. Because companies only enter the political arena to advance their interests, they use their privileged political access obtained from CSR activities to lobby policy-makers, and orientate their decisions in ways that generate new revenues or reduce costs.

To conclude this section, the main finding of this research, the strengthening of CPP by CSR, supports the findings of the rare empirical studies of the CSR-CPP relationship that have been done in other contexts (Sims, 2003; Fooks et al., 2011). The paradoxical effects of CSR is that it can end up giving more political power to companies than to the stakeholders affected by the issues addressed by CSR activities. Since it was found that the scope of social and environmental problems addressed by CSR are negotiated between business and policy-makers, the paradox of CSR occurs only when policy-makers fail to protect the interests of all stakeholders by including the demands of these stakeholders in the scope of CSR practices.

Considering that the underlying motive for the undertaking of CSR and CPA is the desire by companies to protect or advance their interests, as I have argued in the description of the “political case for CSR” above, there is no guarantee that companies will use their enhanced political power for the public interest if this interest conflicts with their revenue-seeking nature. As argued by Karnani (2010, 2011), when business objectives and government

policies are at odds, companies are more likely to attempt to shape the policies in their favour rather than change by themselves their commercial activities. Considering the empirical findings, it can be argued that CSR is a “velvet curtain”, that is “something smooth and seemingly benign that nonetheless can act to screen from awareness the operation of power in producing the conditions and consequences that tend to be excluded from analysis” (Khan et al., 2007, p.1056).

Based on the empirical evidence from the case studies, the initial conceptual model derived from the literature has been revised. Figure 11 presents the final conceptual model that depicts the research findings (the right part of the model with dashed arrows was the gap in knowledge investigated). The changes are in the “determinants”.

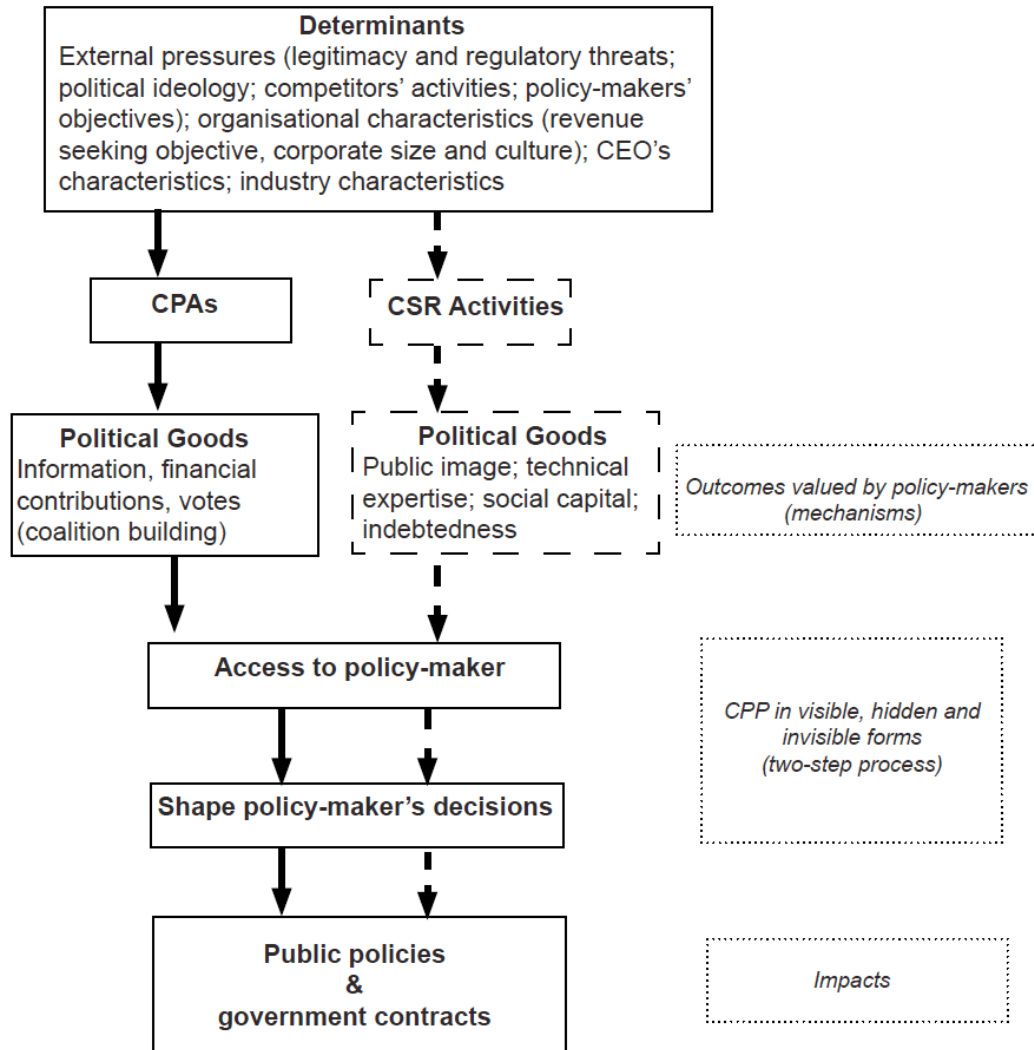


Figure 11: Final Conceptual Model of CSR-CPP

Chapter 6

Conclusions

6.1 Introduction

This thesis was prompted by the existence of a possible paradox concerning CSR that has gone unnoticed in the literature, namely that the encouragement by governments and civil society groups for more involvement of business in social and environmental issues, might give more political power to business at the expense of their stakeholders and the public at large. A review of the literature indicated that the political dimension of CSR is under-researched in comparison to the economic dimension. In the emergent ECC literature, CSR activities are compared to political activities, and propositions were that charitable giving helped companies to have access to policy-makers, which is a proxy for CPP (Sims, 2003; Richter, 2011; Wang and Qian, 2011; Fooks et al, 2011; Werner, 2014). However there is a gap in knowledge regarding the mechanisms of that relationship between CSR and CPP. The opportunity therefore existed to fill the gap in the context of the British construction industry. The research sought to find answers to the research question “**How does CSR contribute to CPP?**” Following the literature review, a conceptual model that captured the CSR-CPP relationship was developed. In line with the philosophical perspective of constructivist-realism, the model did not attempt to represent an objective truth, but to give an approximation of the reality it tried to represent within the specific context of the research. In this final chapter, I build upon the research findings in Chapters 4 and 5 to summarise

the key findings in Section 6.2. Section 6.3 presents the implications for theory, and identifies the contributions of the research. Finally the thesis is brought to a close in Section 6.4, which highlights its limitations and areas for further research.

6.2 Summary of Key Findings

The study aimed at identifying the mechanisms of CSR-CPP, and understanding the contribution of CSR to the political power of the firm. To do so, the study first sought to uncover the determinants of CPA and CSR for a better understanding of why companies seek political power and how. External pressures that threatened corporate legitimacy and revenues were found to be the primary drivers of both CSR activities and CPAs. The evidence from the case studies suggests that CSR was first a defensive strategy in response to external pressures. However the companies gradually realised that CSR could be combined with their CPAs to improve their competitiveness by political means.

Concerning the mechanisms of the CSR-CPP relationship, the political environment of the firm was identified to be analogous to a marketplace where companies negotiate and exchange political goods with policy-makers. CSR activities created four political outcomes identified as political goods, namely public image, technical expertise, social capital and indebtedness. When policy-makers deemed the political goods valuable to their political objectives, they rewarded the company with easier access to the policy-making area. CPP was conceptualised as a two-step process and political access was only the first step towards CPP. To complete the second step,

that is persuading policy-makers to act in their favour, companies relied on the political good “technical expertise”. It was by demonstrating knowledge of the issue at hand, and by presenting convincing arguments to policy-makers, that companies were more effective in shaping public policies. Foucault’s (1977) claim that knowledge produces power and power produces knowledge was evidenced here. Not only the practice of CSR helped companies mitigate external pressures, but also the knowledge gained from addressing the societal issue reinforced companies’ privileged position as experts on those issues. Government officials sought their advice. Hence technical expertise strengthened CPP.

The impacts of CSR on CPP were three-fold: CSR strengthened the privileged structural position of business; helped companies gain easier access to policy-makers; and this privileged access gave them more opportunities to influence regulatory outcomes.

Contrary to Sims (2003) who called CSR a hidden source of CPP, the findings of this research present CSR not as a source of political power but as a political framework, the scope of which is negotiated between business and government. The framework guided companies in the transformation of their internal resources into political goods that addressed societal issues on the agenda of government officials. Politicians played a determinant role in the type of CSR activities undertaken by companies. Another related key finding was that organisational and managerial characteristics also influenced CSR and CPA practices.

None of the case companies undertook CSR activities and CPAs for altruistic reason, rather they sought to protect or advance their interests. Because they used CSR strategically to achieve political goals, it can be argued that CSR is a 'velvet curtain' (Khan et al., 2007).

6.3 Contributions of the Research

Contributions to Theory:

The thesis answered calls by scholars to move from the mainstream analysis of CSR from social and economic perspectives, to an analysis through political lenses (Conrad and Abbott, 2007; Gjørlberg, 2011). It also answered calls to contextualise research in CSR and CPAs because societal issues, and the institutional environment of companies, differ by industries and geographic locations (Halme et al., 2009). The thesis focused on the British construction industry because it is a heavily regulated industry where political activities are high, and where little academic research has been conducted on its social and political activities. By addressing the political dimension of CSR, and by providing empirical evidence of a relation between CSR and CPP, the study contributes to the embryonic ECC literature where research is mostly theoretical. Further, by using multiple case studies, the methods employed contrast with the cross sectional analyses of secondary data of US companies usually found in the literature. It provides a richer longitudinal account of how the mechanisms and processes of CPP operate within and outside the policy-making arena.

The study contributes to the CSR debate by exposing the political facet of CSR. CSR has to be understood as a political arena where interest groups (government officials, business, civil society) oppose and negotiate public policies. The attempt to understand CSR through the economic lens of the business case only fails to grasp the complex nature of this phenomenon. The study finds empirical evidence for Friedman (1970)'s proposition that CSR activities bring closer the economic and political powers of the firm. However there is no evidence that this bridge turns the firm into a dictator with legislative and jurist abilities that make the firm politically more powerful than a government or its stakeholders as Friedman (1970) suggested. The mechanisms by which CSR activities enhance CPP are dependent on policy-makers' objectives, which can from time to time be hostile to corporate interests (Vogel, 1989). CSR becomes problematic for corporate stakeholders, and the public at large, if the objectives of policy-makers that the firms attempt to meet are at odds with stakeholders and the public interest. This is why corruption of government officials is a serious concern in the construction industry (Transparency International UK, 2008).

The conceptual model of CSR-CPP in Figure 11 contributes to knowledge as it fills the gap in the literature on the underlying mechanisms linking CSR with political power. The mechanisms described by the model provide a new approach to studying the outcomes and impacts of CSR activities on corporate performance.

Another contribution made by the conceptual model is its depiction of the overlaps and complementarity of CSR and CPA, two corporate activities

considered to be distinct by most scholars. Researchers should integrate these two domains in their analyses of the activities of the firm in the political arena. The findings show they have much in common, and highlight the need for more cross-disciplinary research between the two.

The study contributes to political power theories as it found technical expertise (knowledge) to be the most important corporate resource to have to successfully exercise political power. To prevail in policy-making, “what you know” is more important than “who you know” or “how much you give”.

Finally to understand the engagement in CSR by politically active companies, the political case for CSR is suggested as a supplement to the business case for CSR.

Contributions to Practice:

This study is to my knowledge the first to provide empirical evidence of the mechanisms by which CSR activities strengthen the political power of the firm. The findings of this study should be therefore beneficial for managerial practice, but also government officials who are at the same time clients and regulators of the construction industry in which the study took place.

CPA is generally seen as an attempt by companies to weaken or avoid regulations (Klein, 2000; Monbiot, 2001). However this negative connotation is undeserved. As the case studies show, business participation in policy-making can improve standards and even raise the level of regulations when companies believe it can improve their competitiveness. The negative discourse on CPA is fostered by the lack of openness by companies on their

CPAs and positions on public policies advocated behind closed doors. The implication for corporate managers is that if they want their stakeholders being less suspicious of their political activities, they must be more transparent.

Transparency requires that companies accept to be consistent (i.e. ensuring that political activities by themselves or their trade associations conform with their ethical principles and related corporate policies), and accountable (i.e. accept responsibility for the direct and indirect impacts that political activities have on stakeholders on the short and long term). Put differently, transparency invites practitioners to look at their political responsibility and CSR simultaneously to maintain their legitimacy in society. To mitigate risks of conflicts, companies must communicate on their CSR and political advocacy efforts to their primary stakeholders (shareholders, employees, government agencies, clients, suppliers).

Another implication of the study for practitioners is that they will learn from the “political case for CSR”, which is illustrated by the model in Figure 11, that the combination of CSR and political activities is more effective to influence political debates.

On the implication of the study for politicians, the study shows that during the last three decades, companies have gone from a reactive and defensive stance on the concept of CSR, to a proactive and offensive position. Over the years, they have learnt to merge their CPAs and CSR activities to advance their interests. This study supports the findings of Marinetto (1995), Sims (2003) and Fooks et al (2013), who analysed the political effects of CSR in business-government relations. All these scholars concluded that CSR, in a

voluntary and self-regulated form, was a threat to democracy because it is a discursive medium of CPP and, altruism did not drive corporate social and political activities. As found in this study, the alignment of CSR and CPAs allows companies to frame political debates in such a way that regulations, and the expectations of business stakeholders, are less threatening to corporate legitimacy and activities. The social and political implications are important and call for the attention of government officials, civil society organisations (e.g. BITC), and members of the public who favour a neoliberal doctrine for the promotion of CSR to business. CSR yields CPP and they may fall victim of invisible CPP, created by CSR activities. Only pressures (regulations or regulatory threats) allow the alignment of corporate behaviour with society's expectations. Companies' stakeholders should try to lift the "velvet curtain" to find out if the benefits that business gains in exchange for CSR activities, work discursively and covertly against their interest in the short and long term.

6.4 Limitations and Directions for Future Research

The thesis has a number of limitations that provide a basis for future work. One limitation relates to methodology. In process-based studies such as this one, a full understanding of the Key Event and subsequent events requires interviewing the actors involved. Unfortunately this was not always possible because CPA is a sensitive topic that most practitioners do not like to discuss. And given the time period studied (1980-2010), some individuals could not be located. Moreover in retrospective interviews, participants have different memories of past events. The reconstruction of past reality is always

problematic for researchers. An event might have been more important than it seemed for a participant. However all events were treated equally in this study, when in reality they are not. For instance, a CSR activity that provided the opportunity to C2's CEO to meet a senior government official at a breakfast meeting and have an informal discussion, may have been more important than a more formal political activity such as a financial donation.

The study used process-oriented case studies, which departs from the quantitative analysis approach that prevails in research on CSR and CPA. Future research could use a different research design to explore the CSR-CPP relationship, such as ethnography.

A second limitation of this study relates to the generalisation of findings. Following the constructivist-realism paradigm of the research, the aim of this study was theoretical generalisation by the construction of a theoretical model that is close to reality (Figure 11). But context matters in realism research, especially for research on CSR and CPP. Hence the focus of this study was on companies operating in the UK and belonging to the same industry. Given the characteristics of the British construction industry, it would be interesting to replicate the research in other industries and/or countries, to determine if the model is particular to the context of this study or applicable to others. Researchers are also invited to empirically explore the theoretical arguments of this thesis by making cross-country analyses.

The findings of the thesis invite to conclude that because companies have a privileged position in society that is reinforced by CSR activities, and because

CSR activities provide companies easier access to the policy-making process than other interest groups, the resulting informational asymmetry between companies and politicians, supported by the political outcomes of CSR and CPAs, bias policy-making in favour of business. However the research did not investigate the political effects of CSR activities on companies' stakeholders, and therefore the CSR paradox was not tested. The study findings do not inform if gains in CPP make public policies more favourable towards business interest at the expense of the public as the paradox of CSR implies. What the evidence does show however is that CSR functions like a 'velvet curtain': CSR hides from the public its paradoxical positive effects on CPP (Khan et al., 2007). Given the social and political implications raised by the CSR paradox, future studies could investigate the paradox of CSR. The research question could be: is doing good, politically good (for stakeholders/the public)?

The PFI scheme has often been decried for the large economic benefits it brings to business, in contrast to its long-term economic costs to the government (Pollock, 2005). However the PFI contributed to the institutionalisation of CSR in the construction industry, for the benefit of the British public at large. This positive 'PFI externality' has gone unnoticed among scholars, as there is no mention of it in the literature. This unexpected finding is maybe evidence against the CSR paradox as it stresses the importance of politicians' objectives on the political marketplace. CSR activities might contribute to CPP, but if the political goods provided by CSR activities advance politicians' objectives, and their objectives are in line with

the *long-term interest* of the public, there is no CSR paradox. This proposition is open to investigation for future research.

The conclusions that business and government are structurally dependent on each other, and that policy-makers influence CSR and CPA practices, challenges the popular view that business has more political power than governments (Bernstein, 2000; Coy, 2003). This research investigated the relationship between business and government, from the firm's perspective. To verify these conclusions, a similar study should be undertaken in the opposite direction, government-business. The rare studies that did conclude that policy-makers manipulate CSR in order to realise their own political agenda (Ceton and Liston-Heyes, 2007; Kinderman, 2012). Evidence from this thesis provides only partial supports for this claim as "CSR deals" were found between business and government officials. Thus the two parties benefit from CSR. To find a definitive answer to the questions "who manipulates whom on CSR?" and "are companies more powerful than government?", an in-depth analysis at the individual level of the motives and objectives of all participants in the political marketplace is required. There is still a lack of understanding on how personal values influence decision-making concerning CSR and political activities, and how those values affect the mechanisms that link CSR to CPP.

To conclude, this study makes several contributions to knowledge on CSR and CPP. It provides new insights on the political determinants and outcomes of CSR. The model of the CSR-CPP relationship, and the political case for

CSR, open new lines of inquiry to conduct further empirical research in the political dimension of CSR, a neglected but important area of CSR.

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Appendix 1: Semi-structured Interview Schedule

Interview Questions

Section 1: CSR

1. When did you decide to take CSR seriously and become pro-active (i.e. the Key Event)? Which factors make you take this decision?
2. What were the positive and negatives outcomes of the Key Event?
3. How did you develop and promote your CSR strategy after the Key Event?
4. Before the Key Event, which philanthropic and social-environmental activities did you engage in? How did these activities benefit your company?
5. Today, how do you decide which CSR activity to do? Who is involved in the decision process?
6. How do you measure the impact on your stakeholders of your CSR activities?
7. How do you measure your ROI for each CSR activity?
8. In your view, who benefits the most of CSR: the public, the government, or business?

Section 2: CPP

1. During the 1980s and 1990s, with the environmental protests against road construction, how did you choose the public policies you lobbied for or against?
2. Were there any particular individuals who were influential in politics within the company?
3. During that period, did your CSR activities have any impact on your political strategy?
4. How do public affair agencies and trade associations help your company?
5. What is your view on corporate political power: Does it exist and if yes, how does it manifest?

Section 3: Business-Government Relationship

1. Have you in the past, or today, tried to align your corporate strategy with the government's CSR strategy?
2. Have you ever chosen to self-regulate in order to pre-empt an upcoming government regulation?
3. How does the company benefit from its CSR activities, financially and politically?
4. Do some of your social or environmental activities help you to gain favour from policy-makers? How?
5. Do you believe that if your company had not developed a CSR strategy, it would be (i) weaker financially? (ii) won't have strong relationship with government officials?
6. Between 1980 and 2010, is there a time when your CSR performance had a negative impact on the company?

Appendix 2: Invitation to Participate in Research

Victor Tsemo
 Doctoral Researcher
 University of Wolverhampton
 MN Building, room MN005
 Nursery Street
 Wolverhampton, WV1 1AD

27/06/2011

xxxxxxxxx

Dear Mr xxx:

Invitation to Participate in a Study on the Outcomes of Corporate Social Responsibility

I am a Doctoral Researcher at the University of Wolverhampton. As part of my PhD, I am researching the interactions between Corporate Social Responsibility (CSR) and corporate political activities, as well as the outcomes of CSR activities in the UK construction industry. My research for this PhD aims to improve knowledge among businesses, and the public, on sustainability.

I am analysing the history of several construction and properties companies over the last 30 years, and I need your help. As a public affair specialist, you have a good knowledge of the political environment faced by construction firms. More importantly, you witnessed some key events that made them what they are today.

I have already interviewed some current and former employees of various companies. Your input would be highly valuable to further develop insights into these case companies.

I would appreciate it if you could offer me an interview with you, face to face or by telephone, in the coming weeks. The interview will last about an hour.

To ensure confidentiality and privacy, all responses will be anonymised, and all data stored in compliance with the Data Protection Act. In addition, my thesis will be withheld from the public domain for 2 to 5 years after submission to the University of Wolverhampton.

Please, let me know as soon as possible by email, xxx@wlv.ac.uk or by telephone, xxx, if you accept to participate in this study.

May I thank you in advance of your cooperation.

Yours sincerely,

Victor Tsemo

Appendix 3: Sample Transcript

In this transcript of ID#10's interview, V refers to the researcher and D to the participant.

- V: How did you start working with [C1]?
- D: Well, this is quite a long while ago, and my recollection may be less than perfect, particularly as to detailed timings, but it was shortly after I set up [anonymous]. Certainly, I think—you may have it in your own records—but I would've said it would be 1998-1999, something like that. What had happened what that I was instructed by the Major Contractors Group. Is that name familiar to you?
- V: Yes.
- D: The Major Contractors Group—I persuaded them that it would be interesting to develop some kind of benchmark for the response of major contractors to environmental governance, because in those days one must remember that sustainability as a topic had not really begun to kick in. It was mainly about environmental management, and in 1997, I had set up something which was called the [anonymous], which was not house builders or contractors principally, it was commercial property companies—so that would be property companies and pension funds and insurance companies—the owners of commercial property. People like Land Securities or Hermes and so on. I started a benchmarking survey for them in 1997, and having done that, there was—I forget how it arose—but the opportunity arose to see whether or not the major contractors would like to go down a similar path, because I think they were all interested to know what everybody else was doing, and what was—as it were—expected of them and what was standard practice. And I know that [C1] were one of the most enthusiastic about this and, I think, a leader amongst the major contractors, and it was then that through that survey that we began to do work with [C1]
- V: I remember the chief executive of [C1] was a chairman of [anonymised].
- D: Ah. Well, that would've been the reason. Yes. Now, his name has slipped my memory.
- V: [anonymised].
- D: That's it. [anonymised]. Exactly so.

- V: If you remember, [C1], back in [anonymised], had an incident at [anonymised]
- D: That's right. And the whole process of construction was slowed up.
- V: Yes.
- D: I wasn't involved with them then, but I know that they did talk about it as a lesson that they learnt from that, which was really to be much more proactive rather than reactive so that they could try and foresee, at very least, as a kind of a risk management strategy. But it was also very much caught up with the notion—which was beginning to emerge at that time of—of corporate responsibility.
- V: When I was looking at the chronology, I thought that [C1] set up a panel of environmental advisers. It was in [anonymised], so I was wondering if you were—
- D: I don't think—I think that is—they must have set that up before inviting me to become part of it. There is a man called [anonymised], and I think he was already on the panel by the time that I joined it, and he had done work for [C1].
- V: Okay. I understand now.
- D: I think so. I think I came on a bit later.
- V: Did you work directly with the chief executive?
- D: Yes. [anonymised] was very much the driver of the initiative. Now, there were other directors and I think even senior members of staff who were on the panel and whom I might have dealt with on a day-to-day basis, but the person that sticks in my mind as being the prime mover was [the CEO], and my experience at that time was that it made an enormous difference if the chief executive or the chairman was an—as it were—champion.
- V: So what were your duties then?
- D: Well, I'm trying to remember this, and I may not be quite accurate, but I had to attend a number of meetings during the time that it was there. I would say from memory that they might've been quarterly. And then I had to respond to any queries that might occur between meetings, but the role was very much a strategic role. I think [anonymised]'s role was rather different. I think he was more hands on, but my role was

much more of a strategic role with the experience, of course, that I then had both in the commercial property market and then amongst contractors as to what people were doing, what people expected people to do, how they were expected to report on these matters. The whole reporting process was very important, and we got involved in that, and I think people - that's what they drew on - they wanted to draw on from me. I wasn't on it for terribly long. Three years was it?

V: Yes. When the company [anonymised].

D: That's right. Then I was replaced by [Paul].

V: Exactly. Yes.

D: I think that was because at that point they felt they needed someone with a higher profile than I had to—as it were—be seen as their adviser, because although they knew I was knowledgeable and had a reputation in the field, within the field, I wasn't known in the way that [Paul] was known.

V: Yes, yes, yes. Actually, I will come to him a little bit later. So before [anonymised], , before the incident at [anonymised], [C1] was doing nothing on the environment. Then when they realised that- when [the CEO] decided to be proactive- in that five-year period between the first time they published their environmental report in [anonymised], the company changed completely. [C1]'s image and their reputation came back, and they were seen as the leader on sustainability. From your perspective, can you tell me, how you measured the success of [C1] at the time? How did you measure to make sure that you were making a good job as an adviser?

D: That's a good question. I think that—because I think it also is relevant in terms of the period of my giving advice and then the change. I think that I was keen to see, firstly, that they were in the leading pack of those who were taking environmental governance seriously, both in practice—in terms of good site management and so on—and in reporting. They were already members of something call the Considerate Contractors Scheme. Have you come across that?

V: Yes.

D: They were already members of that, so I saw their environmental management as an extension of that scheme but something that put all the environmental issues higher on the agenda. Because, frankly, before that time, there wasn't a great deal of attention given to this, because people simply didn't have the information and the knowledge to work on, but there were all

sorts of things like waste management, for example—how they dealt with the recycling of waste on the construction site—neighbourliness during the process of construction—how they took account of local people’s concerns—the movement of lorries on and off the site, the thought being given to whether they could reduce the mileage of their traffic. Could they be more efficient? Could they do it in such a way that they had a lower number of lorry miles? The use of recycled materials, crushed concrete and so on—these were all basic, down-to-earth things, which I’m sure if you were looking at the list of what people were thinking about at that time, they were trying to do.

V: I understand.

D: And also on some of their sites there were questions of biodiversity, which [anonymised] was particularly involved with.

V: Yes. He was.

D: I didn’t get involved in that so much. In order for me to feel that I was playing my role right and it had integrity, I needed to feel that they were listening, making reasoned judgments on information that they were given, and where possible and over a reasonable period of time, beginning to change their practices in accordance with new standards – and I thought they were. I think the area which I couldn’t quite engage them with—and frankly this is something that I would say in true of the whole of the industry and still remains true—is to see environmental management as a part of the wider debate about sustainability, and in particular, to move beyond environmental and social sustainability into economic sustainability. In other words, for them to begin to think of their business planning, in a financial and market sense, in terms of the doctrines of sustainability.

V: Yes, I understand.

D: Because I think it’s still the case that most companies think that what eventually became sustainability, is an additional issue, not a central issue.

V: Yes, yes. I understand.

D: They think it’s not at the core. It’s not something that influences the whole rationale. It is one of those things like good human resource management that they think they need to practice in order to be governed properly. And I think that’s a mistake, because I think that until you see it as part of the whole ethos of business and the economy, you can’t really engage with it fully.

Appendix 4: Codes, Categories and Core Categories

Note: A definition encompasses the concept that the category represents. Categories in italics are a priori codes; codes enclosed in quotation marks are participants' own words.

Categories	Definitions	Codes
1. <i>CSR Motives</i>	Reasons to engage in CSR activities	opportunities, "business case", "whitemail", "blackmail", community, awareness, clients, students, credibility, "responsible business", trend, image/brand, pressure, shareholders, public, peers, government, "forward-looking"
2. <i>CSR Activities</i>	Typology of activities	pollution, "legal compliance", noise, waste, landfill, training, "reducing waste", "reducing energy", "enhancing biodiversity wildlife", "looking after local communities", "engage with local communities", "employ local people", philanthropy
3. <i>CSR Metrics</i>	How the company assesses the success, or failure, of its CSR activities	environmental management systems, Health & Safety, CSR Reports, stakeholders' feedback, awards, "Business In The Community's CR index"
4. <i>CSR Beneficiaries</i>	Who benefit of CSR and why	Community, business, government
5. <i>CSR Benefits</i>	Typology of benefits	cost savings, "bottom line", expertise, reputation, "staff satisfaction", credibility, differentiator
6. <i>Regulations</i>	How the company perceives the regulatory environment	threats, opportunities, change corporate behaviour
7. <i>Political Motives</i>	Reasons to lobby the Government	threats, opportunities, Chief Executive's personal values, Chairman's personal values
8. <i>Political Approach</i>	Lobbying strategy	reactive, proactive, credibility, non-executive director, policy-maker, "win-win", lobby, "trade associations", agenda setting, Prince of Wales
9. <i>Political Activities</i>	Typology of activities	revolving door, events, meetings with senior politicians, public relations, political donations,
10. <i>Beliefs on Corporate Power</i>	Participant's views on the existence of CPP	firm size, relationships, reputation, industry structure, inexistent, model of policy making in the UK,
11. <i>Beliefs on CSR-CPP Relationship</i>	Participant's views on the CSR-CPP connection	cover power, exchange, influence, lobby, never considered link, access, ethics, can make a difference, benefit, Prime Minister's agenda, Prince of Wales
12. <i>Beliefs on CSR</i>	Participant's views on the CSR concept	competitive advantage, benefits, competitors, "discriminating factor", please clients, personal satisfaction, macro environment, manipulation

The core categories explain the ‘why’, ‘how’ and ‘what’ of the phenomenon

